Nuance Mid Cap Value Composite Perspectives

nuance INVESTMENTS

June 30, 2016

Description of the Product

The Nuance Mid Cap 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 50-90 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.

Portfolio Managers

Scott Moore, CFA
President & CIO
24 Years of Experience

Chad Baumler, CFA
Vice President
9 Years of Experience

Risk-Adjusted Returns Rankings[1]

1ST PERCENTILE

Lipper
Category: Mid-Cap Value
Ranking vs. Peers: 1 of 101

Morningstar
Category: Mid-Cap Value
Ranking vs. Peers: 2 of 373

Longer Term Performance Update (through June 30, 2016)

Since Inception Return: The return since inception (on 11/03/2008 through 6/30/2016) is 16.4 percent (annualized and net of fees) versus the Russell Mid Cap Value Index up 15.1 percent, the S&P MidCap 400 Value Index up 14.5 percent and the S&P 500 Index up 13.1 percent.

Risk-Adjusted Returns: Our Sharpe Ratio (since inception on 11/03/2008 through 6/30/2016) is 1.1 (net of fees) versus Russell Midcap Value Index at 0.9 the S&P MidCap 400 Value Index at 0.8 and the S&P 500 Index at 0.7.

Peer Group Returns through 6/30/2016: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 15 of 373 (4th percentile) peer group members in the Morningstar Mid Cap Value universe. Versus the Lipper Mid Cap Value universe we ranked 6 of 101 (6th percentile).

Peer Group Risk-Adjusted Return through 6/30/2016: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 2 of 373 (1st percentile) peer group members in the Morningstar Mid Cap Value universe. Versus the Lipper Mid Cap Value universe we ranked 1 of 101 (1st percentile) peer group members.

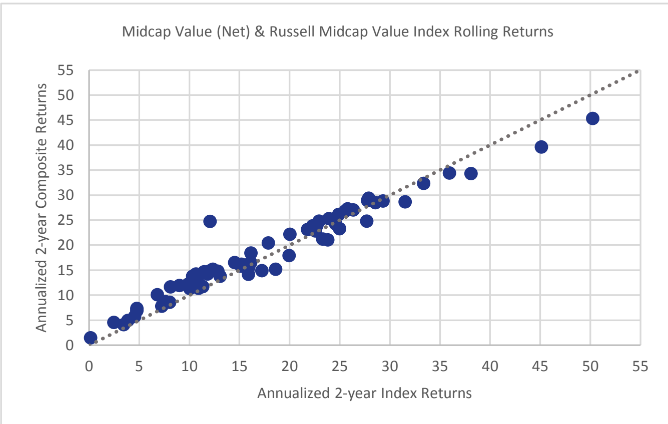
Peer Group Analysis 11/30/2008 - 6/30/2016	Since Inception APR[1]	Standard Deviation (A)[1]	Sharpe Ratio (A)[1]
Nuance Mid Cap Value Composite (Gross)	18.3	14.4	1.3
Nuance Mid Cap Value Composite (Net)	17.4	14.4	1.2
Lipper Mid-Cap Value Funds Peer Group (Median)	15.3	16.7	0.9
Peer Group Ranking/Percentile	6 of 101 (6th)	2 of 101 (1st)	1 of 101 (1st)
Morningstar Mid-Cap Value Peer Group (Median)	15.0	16.7	0.9
Peer Group Ranking/Percentile	15 of 373 (4th)	28 of 373 (7th)	2 of 373 (1st)

Performance 11/03/2008 - 6/30/2016	APR*	TR*	Standard Deviation*	Sharpe Ratio*	7 Years	5 Years	3 Years	1 Year	2016 YTD
Nuance Mid Cap Value Composite (Gross)	17.2	237.1	14.5	1.2	18.3	14.1	12.9	5.5	7.7
Nuance Mid Cap Value Composite (Net)	16.4	218.9	14.6	1.1	17.4	13.2	12.1	4.8	7.3
Russell Midcap Value Index	15.1	193.1	17.2	0.9	17.0	11.7	11.0	3.2	8.9
S&P Midcap 400 Value Index	14.5	181.8	17.7	0.8	15.9	10.9	10.1	1.3	10.3
S&P 500 Index	13.1	156.7	15.6	0.7	14.9	12.1	11.6	4.0	3.8

*Since Inception

Shorter Term Performance Update (Two Year and Year-to-Date)

Rolling 2-Year Periods			Current 2-Year Period as of 6/30/2016	
11/03/2008 - 6/30/2016	Periods Beating the Index		Composite Avg (%) Net of Fees[1]	Russell Midcap Value Index Avg (%)
Nuance Mid Cap Value Composite	50/68	73.5%	4.1	3.4



Your team at Nuance cautions our clients regarding the use of short-term performance as a tool to make manager or investment decisions. That said, if a client wants to consider our short-term performance we recommend emphasizing two-year rolling periods since our inception. Our normal discussion of short-term performance will center on two-year performance, but we will also note calendar year to date results as is our tradition.

For the period ending June 30, 2016, the Nuance Mid Cap Value Composite two year rolling return is up 4.1 percent (net of fees) versus the Russell Midcap Value Index up 3.4 percent, the S&P MidCap 400 Value Index up 2.4 percent, and the S&P 500 Index up 5.7 percent. Overall, we have outperformed in 50 out of the available 68 two-year periods as shown in the chart labeled Average Annual 2-Year Rolling Return.

Year-to-date, the Nuance Mid Cap Value Composite was 7.3 percent (net of fees) versus the Russell Mid Cap Value Index 8.9 percent, the S&P MidCap 400 Value Index 10.3 percent, and the S&P 500 Index 3.8 percent.

Calendar Year Performance as of 6/30/2016	11/03/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Nuance Mid Cap Value Composite (Gross)	(4.1)	38.7	21.1	4.0	22.0	35.5	9.8	3.0	7.7
Nuance MId Cap Value Composite (Net)	(4.1)	38.2	20.0	3.4	20.6	34.2	9.1	2.3	7.3
Russell Midcap Value Index	(5.6)	34.2	24.8	(1.4)	18.5	33.6	14.7	(4.8)	8.9
S&P Midcap 400 Value Index	(3.9)	33.8	22.8	(2.4)	19.1	34.2	12.0	(6.7)	10.3
S&P 500 Index	(6.0)	26.5	15.1	2.1	16.0	32.4	13.7	1.4	3.8

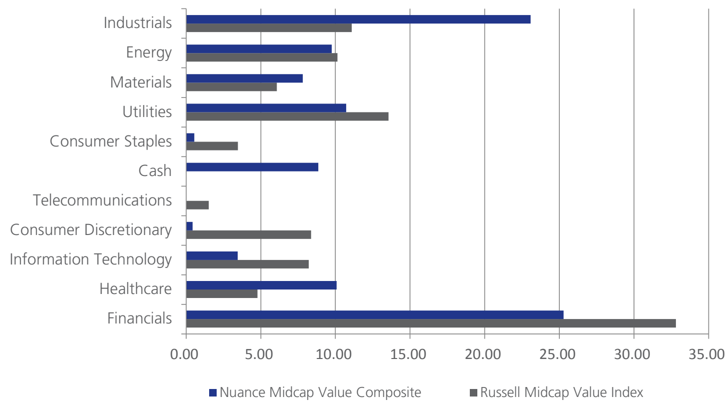
Composition of the Portfolio as of 6/30/2016

Portfolio Characteristics[2]	Nuance Mid Cap Value Composite	Russell Midcap Value Index
Weighted Average Market Cap	11.3b	11.9b
Median Market Cap	7.9b	6.0b
Price to Earnings (internal and ttm)*	13.4x	19.7x
Forward Price to Earnings	18.6x	19.4x
Dividend Yield	2.2%	2.3%
Return on Equity	14.3%	11.3%
Return on Assets	4.8%	3.8%
Active Share vs Russell Midcap Value	96.0%	-
Upside/Downside Capture Ratio vs Russell Midcap Value	89.2%/77.7%	-
Number of Securities	53	566

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 13.4x versus the Russell Midcap Value Index of 19.7x. We are achieving this ratio with a portfolio of companies that have returns on assets of 4.8%percent versus the Russell Midcap Value Index of 3.8% percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

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

Sector Weights and Portfolio Positioning as of 6/30/2016



Our Energy exposure has gone from overweight to roughly in-line with the benchmark as one of our select Energy names was acquired. We added slightly to our overweight exposure in the Industrial sector, specifically the transportation industry as recent pricing issues have been the result of a classic industry overspend. Our weighting in the Financial sector has been relatively stable due to a retreat in interest rates that has led certain stocks back to attractive levels. As a whole, we have remained underweight the Financial sector driven primarily by our underweight position in the Real Estate Investment Trust (REIT) industry, which appears overvalued, in our opinion. We continue to be underweight in the Information Technology, Consumer Staples, and Consumer Discretionary sectors due to valuation concerns.

Nuance Perspectives from President & CIO, Scott Moore, CFA

We continue to be reasonably pleased with the performance of your Nuance Mid Cap Value Composite. Year to date (through 6/30/2016) we are up 7.30 percent (net of fees) versus the Russell Mid Cap Value Index up 8.87 percent and the S&P 500 Index up 3.84 percent. For the last 12 months, we are up 4.83 percent (net of fees) versus the Russell Mid Cap Value Index up 3.25 percent and the S&P 500 Index up 3.98 percent. Most importantly to us, since our inception on 11/3/2008, the Nuance Mid Cap Value Composite is up 16.36 percent (annualized and net of fees) versus the Russell Mid Cap Value Index up 15.07 percent and the S&P 500 Index up 13.10 percent.

This quarter's commentary is a message of select opportunities coupled with a message of buyer beware as significant risks exist in the market today and those risks have been growing during 2016. There are three big picture issues we need to address this summer:

1.Debt levels at non-finance companies are at multi-decade highs and few market participants are discussing this very important issue.

2.Historically low interest rates (the 10 year treasury is at 1.4% as I write) have once again created what we believe are valuation extremes in interest sensitive sectors like Utilities, Real Estate Investment Trusts (REIT) and some Consumer Staples. This same interest rate phenomenon is creating opportunities across the Finance sector.

3.We think the combination of multi-decade high debt levels in non-Finance sectors coupled with higher than average valuations is leading to clearer than normal risk reward vision of what we should be over and under-weighting.

So let's discuss these issues in more detail. First, the debt issue and some data to ponder. Based on our internal calculations, the non-Finance sector market net debt to EBITDA levels (our preferred measure of leverage) is running at approximately 2.2x versus the historical norm of the last 20 years at approximately 1.6x. We believe the obvious reason for this increased leverage relates directly to historically low interest rates. What is cause for concern is that many of the companies we follow (but do not own today) seem ambivalent to the potential increased downside risk to their stock valuation during the next recessionary environment or downturn. They seem to be assuming that the market will not care about financial strength during a period of market stress. After investing through multiple recessionary periods over the years we believe the market will indeed care and that investors will not be kind to those companies that have increased their debt load. We might ask our clients to consider the Finance sector in 2008 and 2009 as illustrative of our point. Please note that your portfolio of companies carries net debt to EBITDA levels of approximately 1.1x. Clearly below average and certainly well below the current prevailing numbers for the larger array of non-finance companies. As our process has our team focus equally on both return potential as well as risk potential, it is likely not a surprise to our clients just how important this metric is to us.

Interest rates are the next topic to delve into with a focus not on predicting where rates are going, but rather what we view as the extraordinary valuation multiples being placed on interest rate sensitive sectors as a result of their current levels. The recent "Brexit" issue helped push the 10 year treasury yield from 1.6-1.7 percent towards 1.3-1.4 percent. While we are not economists, nor do we pretend to predict interests rates going forward, the valuations afforded historically interest rate sensitive sectors is rather appalling, in our opinion. Fortunately "appalling" valuations for one sector often leads to attractive valuations in another. As is the case today in our view. As a student of the utility sector for decades now, seeing some of my old favorite electricity companies trading right at or near 20x our view of normal earnings is quite interesting. Consolidated Edison Inc. (ED) for example has normal earnings today of about $4.00 in our view and the stock trades at about $80. A 20x P/E multiple for a business that only earns it costs of capital is fascinating. We won't even begin to discuss the risk of solar electricity taking significant market share from the classic electric companies over the next decade. Contrast that with the valuation of a company like BOK Financial Corp. (BOKF). BOKF is a leading regional bank based in Oklahoma with what we view as a leading deposit and commercial lending franchise. Much like a utility company, we believe normal returns on equity are in the 10-13% range. Much like many utility companies, BOKF's historical P/E ratio on mid-cycle earnings is in the neighborhood of 12-15x. Today BOKF is trading at approximately 11x our view of normal earnings. So let's sum this up. ED's normal returns on equity are 10-13% and so are BOKF's. Both are solid franchises with slow but solid growth prospects over time (our opinion). Lastly, ED trades at 20x our normal earnings and BOKF trades at 11x our normal earnings versus our internal view of fair value for both at about 13-14x our normal earnings. Clearly we do not own ED today and just as clearly we own a significant amount of BOKF. This is one example of the opportunity and the risk generated by these historically low interest rates.

Lastly, we want to convey our view of the more broad opportunity landscape. In sum, we are seeing selective opportunities in our overweight areas. Energy Equipment and Services remains a theme. The Finance sector is a growing theme as noted above. And finally select Industrial stocks (Agriculture and Trucking are examples) remains a theme. Our underweights are very clear to us today and we have excellent conviction as the chase for yield is at a fever pitch in our view. We are underweight Utilities, REITS, and Consumer Staples due largely to this phenomenon. We are also underweight Consumer Cyclicals due to valuation and competitive concerns across the space

As we remind our clients each month, your team continues to find leading business franchises with sustainable competitive positions that are trading below our internally derived view of fair or intrinsic value. We believe that our time-tested process of finding best of breed businesses with better than the market downside support and better than the market upside over the long-term should lead to excellent risk adjusted returns versus our peers and benchmarks.

Please visit our website at www.nuanceinvestments.com for more information about our team, our process and value investing. Follow us on LinkedIn and Twitter! You may also receive information via traditional mail or email by contacting us at client.services@nuanceinvestments.com or call 816-743-7080.

Thank you for your continued confidence and support.

Scott A. Moore, CFA

GIPS Disclosures

	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)	(4.1)	(4.1)	(5.6)	(3.9)	N/A	1.0	$9,531,045	$18,657,997	0.0%	-	-
2009	38.7	38.2	34.2	33.8	-	4.0	$50,600,141	$137,943,058	1.1%	-	-
2010	21.1	20.0	24.8	22.8	0.1	4.0	$60,702,099	$181,201,036	1.1%	-	-
2011	4.0	3.4	(1.4)	(2.4)	0.1	4.0	$55,186,800	$152,976,943	0.9%	18.2	23.1
2012	22.0	20.6	18.5	19.1	0.1	4.0	$58,463,905	$214,936,666	1.0%	14.6	17.0
2013	35.5	34.2	33.6	34.2	0.1	8.0	$80,358,264	$507,569,897	1.0%	13.1	13.9
2014	9.8	9.1	14.7	12.0	0.1	13.0	$130,238,086	$1,071,186,382	0.7%	10.7	9.9
YTD 2015 (6/30/2016)	7.7	7.3	8.9	10.3	N/A	20	$249,937,881	$1,072,646,889	0.2%	11.5	11.7

Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Nuance has been independently verified for the periods 11/03/08 – 03/31/16 by Absolute Performance Verification. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards 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. Nuance is an investment adviser registered with the Securities and Exchange Commission. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary separate accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance returns and assets. Performance results are presented both net and gross of management fees and include the reinvestment of income. Both gross and net of fee returns are reduced by trading expenses. Net of fee returns are reduced by Actual investment advisory fees and other expenses that may be incurred in the management of the account. The firm does not currently assess any Performace Based Fees. From the inception of each composite until 12/31/10, Time Weighted Return was compounded on a monthly basis. Beginning 01/01/11 through present, Time Weighted Return was compounded on a daily basis.

Dispersion is calculated from gross of fee returns using an asset-weighted standard deviation methodology. Only those accounts included for the full calculation period are part of the dispersion calculation. The 3-year Ex-post annualized standard deviation value is calculated using 36 consecutive monthly gross of fee returns to the end calculation period. Since Inception, Nuance has adopted the following Significant Cash Flow Policy for both composites. An account will be removed from a composite if a client has given specific instructions that prevent full investment of the cash flow(s) in a timely manner (defined as 5 business days or greater), or cumulative cash flow(s) are equal or greater than 3 percent of the total composite market value based on the end of month market value, or if cumulative cash flow(s) are equal or greater than 10 percent of the total account value based on the end of month market value. If these circumstances exist, the account will be removed from the composite and added back to the composite on the first day of the month following the date that the account is fully invested (defined as being within ten percent of the model portfolios cash target).

Our Core offerings are the Nuance Mid Cap Value Strategy, the Nuance Concentrated Value Strategy and the Nuance Concentrated Value Long-Short Fund. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

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 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. 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.

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), Standard Deviation and return 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 market capitalization 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 6/30/2016. 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.

(2) Index statistics are provided by Russell. Characteristics calculations use holdings at market close on the stated date, including cash & cash equivalents. The following Composite characteristics are calculated using Bloomberg: Median Market Cap (midpoint of market capitalization of the stocks in the portfolio), Dividend Yield (annual dividends relative to share price), Return on Equity (net income divided by shareholder equity), Return on Assets (net income divided by average total assets). The P/E Statistics are a Nuance internal calculation. The dollar-weighted harmonic mean of individual company P/E ratios is used. This approach first considers holdings' E/P, which are then summed on a dollar-weighted basis across the entire portfolio to achieve a portfolio E/P ratio. Finally, the inverse of this ratio is taken to arrive at the Portfolio P/E ratio. Active share, as calculated by Morningstar Direct, is a statistic the measures a strategy's holdings relative to the holdings of the appropriate benchmark. Standard deviation is a measure of volatility showing the average deviations of a return series from its mean. The upside capture ratio is an indication of a manager's ability to match returns in periods of market strength, while the downside capture ratio measures a manager's ability to curtail losses in periods of index weakness. Results are gross of fees for the period since inception through present. Both upside/downside ratios and standard deviation are calculated using Style Advisor.

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.