

Nuance Concentrated Value Long-Short Fund



Third Quarter 2018

Investment Objective

The Nuance Concentrated Value Long-Short Fund seeks long-term capital appreciation by taking long positions in securities priced below, and short positions in securities priced above, our internal view of their estimated intrinsic value.

Portfolio Constraints

- # of Long Holdings: 15 to 35
- # of Short Holdings: 0 to 50
- Long Exposure: 75% to 100%
- Short Exposure: 0% to 100%
- Max Gross Exposure: 200%

Fund Details

Class:	Institutional	Investor
Ticker:	NCLSX	NCLIX
Inception:	12/31/15	12/31/15
Cusip:	56166Y255	56166Y263
Min Invest:	\$10,000	\$2,500
Invest Mgmt Fee:	1.00%	1.00%

Process Overview

On the long side of the Nuance Concentrated Value Long-Short Fund (the Fund) investment portfolio, the Nuance Investment Team (the Investment Team) is looking for industry leading businesses with strong and stable competitive positions. Generally, these businesses have leading marketshares within their various areas of expertise, have strong balance sheets and exhibit rational capital allocation policies. The Investment Team is seeking to buy these businesses when they are under-earning their long-term potential due to cyclical and/or transitory issues, and when security valuations offer what we believe to be meaningful upside potential and reasonable support on the downside.

On the short side of the Fund investment portfolio, the Investment Team is looking for large businesses with more commoditized or structurally challenged competitive positions. These businesses may or may not be industry leaders. The Investment Team is seeking to sell these businesses when they are over-earning their long-term potential due to cyclical and/or transitory issues, and when security valuations offer what we believe to be reasonable support on the upside and meaningful downside potential.

Portfolio Managers



Scott Moore, CFA
President & CIO
27 Years of Experience

Chad Baumler, CFA
Vice President
11 Years of Experience

Performance as of September 30, 2018

As of 9/30/2018 Inception Date 12/31/15	Since Inception Return	1 YR	YTD	QTD	Gross Expense Ratio	Net Expense Ratio
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	4.28	(4.09)	(2.42)	(3.76)	2.82%	2.59%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	3.93	(4.39)	(2.63)	(3.80)	3.07%	2.84%
S&P 500 Index	16.11	17.91	10.56	7.71		
Morningstar Long/Short Equity	5.35	5.66	2.09	2.77		

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-682-6233.

The Fund has contractually agreed to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (Excluding acquired fund fees and expenses, leverage, interest, dividend and interest expense on short sales, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.55% of the average daily net assets of the Investor Class and 1.30% of the average daily net assets of the Institutional class through at least 8/28/2019. Net expense ratios are as-of the Fund's most recent prospectus and are applicable to investors.

General Market Commentary

	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
Cash	24.6%	25.1%	24.5%	24.2%	23.7%	24.2%	24.6%	23.8%
Long Equities	75.4%	74.9%	75.5%	75.8%	76.3%	75.8%	75.4%	76.2%
Short Equities	65.1%	67.7%	74.3%	77.9%	93.9%	87.9%	86.1%	99.6%
Gross Exposure	140.5%	142.7%	149.7%	153.7%	170.2%	163.7%	161.5%	175.8%
Net Exposure	10.4%	7.2%	1.2%	-2.1%	-17.6%	-12.0%	-10.7%	-23.4%

The Investment Team believes the investment opportunity continues to be skewed to the short side of the Fund's investment portfolio. As a point of reference, as of 9/30/18, the median company in the proprietary Nuance long universe, which consists of approximately 250 companies we view as industry leaders, was trading at more than a 25% premium to what the Investment Team would consider to be fair value. Said another way, the universe appeared to be greater than 25% over-valued on average, per our internal estimates. In addition, according to our company-by-company valuation work this same universe had approximately 65% downside potential. This implies that if our list of 250 companies were to all trend down to their historic trough valuation multiples, then the average stock could go down by around 65%.

As one can see from the table above, the Fund ended the quarter with a net 23% short equity exposure. On the long side of the portfolio, the Investment Team believes the opportunity set has narrowed significantly over the last few years. However, recent volatility has presented some interesting investment opportunities with reasonable risk/ rewards, in our opinion. This includes the Fund's investments in the Healthcare Equipment, Property & Casualty Insurance, Life & Health Insurance and Health Care Supplies sub-industries. On the short side of the portfolio, the Investment Team believes the opportunity set has expanded versus a few years ago, with attractive short investments currently held in nine of the eleven Global Industry Classification Standard sectors of the economy.

Featured Investment

Long Reinsurance Group of America (RGA)- RGA is a global leader in the reinsurance market for a variety of life, health and annuity products with an estimated global market share between 15% and 20%. We believe RGA has gained three or four points of global market share over this last economic cycle with reinsurance premiums growing on average 7% per year. One of the key tenets of the Nuance long investment process is that we look to invest in sub-industry leaders that have historically demonstrated attractive financial metrics indicative of being a leader and prospectively have high levels of protection against future competitive disruption. While new competitive threats are affecting the business models of a variety of the Financials sector's constituents (asset managers and consumer banks for example), the business model for a high-quality life and health reinsurer such as RGA feels quite sound, in our opinion. The primary reason for this has to do with the long-term nature of a life reinsurance contract. When RGA partners with a major global life insurer on a new reinsurance contract, both parties must have a very high level of certainty that each will be in business for the next three or four decades and also will have capital to pay claims over that same timeframe. This long-tailed nature of the contract creates a material barrier to new entrants, given that the major global life insurer is quite literally betting its own creditworthiness on the fact the RGA can deliver on its side of the contract many years in the future. When RGA's long history of claims paying ability is combined with its decades of historic data on global mortality and morbidity trends and its AA- S&P Global credit rating, the Investment Team believes RGA's competitive position is substantially above average.

RGA is expected to earn around \$11.50 per share this year and the Investment team believes the company is under-earning its long-term potential for a couple of reasons, the most important of which is the current level of long-term interest rates. Over the last three years the yield on 1-month US Treasury Bills has moved from around 0% to just over 2%. This large increase has benefited many in the Financials sector, such as commercial banks and trust banks, but hasn't affected RGA's operating results. This is due to the very long-term nature of RGA's reinsurance contracts, which require RGA to invest its investment portfolio much farther out on the yield curve, oftentimes in 20-year and 30-year fixed income securities. As a point of comparison, the yield on 30-year US Treasury Bonds has been roughly flat over the last 3 years at around 3% and is down from around a 5% yield a decade ago. With this as the backdrop, it makes sense that the investment yields RGA has achieved in its investment portfolio have been falling over the last decade and have yet to inflect upwards, even though short term interest rates have risen. If long-term interest rates were to trend higher over the next few years and RGA was able to successfully invest a part of its investment portfolio in fixed income securities with higher yields, then RGA's earnings power could reset higher.

As of 9/30/18, RGA was trading at \$145 per share or around 10.5x our internal estimate of normalized earnings. At this price, we believe that RGA's stock is around 20% under-valued, primarily driven by the under-earnings referenced above. This is meaningfully better than the average stock in our Nuance long universe, which as previously mentioned was greater than 25% over-valued, in our opinion, and trading at around 25.0x our internal estimate of normalized earnings. Furthermore, based on studying RGA's valuation cycles over the last 20 years, we believe that RGA's current downside potential of around 45% compares favorably to our Nuance long universe's downside potential of around 65%. This combination of significantly more upside and meaningfully less downside than our other investment options is exactly the type of risk/ reward the Investment Team is looking for and explains why RGA is one of our top long investment ideas.

You should consider the fund's investment objectives, risks, charges and expenses carefully before investing. For a statutory or summary prospectus, that contains this and other information about the Funds, call 1-855-NUANCE3 (855-682-6233) or visit our website at www.nuanceinvestments.com. Please read the prospectus carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Investments in small and mid-capitalization companies involve additional risk such as limited liquidity and greater volatility than larger capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Short sale of securities involves unlimited risk including the possibility that losses may exceed the original amount invested. However, a mutual fund investor's risk is limited to one's amount of investment in a mutual fund. The Fund is newer with limited operating history and there can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Trust's Board of Trustees ("Board of Trustees") may determine to liquidate the Fund.

The Primary Benchmark for the Fund 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 Fund may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Return figures for all performance shown provided by US Bank.

Nuance Investments, LLC is majority owned by Montage Investments, LLC.

Nuance Investments is the advisor to the Nuance Mid Cap Value Fund, the Nuance Concentrated Value Fund and the Nuance Concentrated Value Long-Short fund which are distributed by Quasar Distributors, LLC.

Normalized Earnings = Normalized Earnings is an internally derived calculation of earnings based on historical analysis and adjustments to reported income.

S&P Global Credit Rating = The S&P Global Credit Rating is a rating that measures a company's ability to meet their financial obligations on time and in full. These ratings are opinions about credit risk and are calculated by S&P Global Inc.

Price to Earnings multiple = measures the price of a company's stock in relation to its earnings per share.

Earnings per share (EPS) = The amount of Net Income, less any preferred dividends, allocated on a per share basis of common stock.

Reinsurance Group of America (RGA) represents 4.03% of the assets in the portfolio as-of 9/30/2018.

Earnings growth is not representative of the Fund's future performance.

Morningstar Long-Short Equity-The Fund has been compared to various peer groups defined by investment style. The Fund is an all market capitalization value investment style. The Morningstar Long/Short Equity Peer Group (as selected by Morningstar) has been presented as an investment strategy with a similar investment style.

GIPS Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites, which is available upon request. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

The definition of the firm is the foundation for firm-wide compliance and creates defined boundaries for determining the assets of the firm. In this instance, the firm is defined as Nuance Investments, LLC (Nuance), a majority owned subsidiary of Montage Investments, LLC ("Montage"). Montage is a wholly owned subsidiary of Mariner Holdings, LLC. Nuance founded on November 1, 2008, was formed on the belief that the ability to outperform the broad stock market is predicated on a consistent and disciplined value investing approach. The Investment Management Team selects securities for the Nuance investment portfolios by using an extensive quantitative screening and fundamental research process that identifies leading businesses selling at a discount to fair value and that have the potential to generate above-average rates of returns over time. The Investment Management Team seeks to identify companies across a range of industries and market sectors that have leading and sustainable market share positions, above-average financial strength, and are trading at a discount to their internal view of intrinsic value. The Investment Management Team may sell an investment when it believes it has surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. For the short side, the Investment Management team seeks to identify companies across a range of industries and market sectors that have average to below average competitive positions and unattractive risk reward profiles. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Nuance. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets. surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets.