

Nuance Concentrated Value Composite Perspectives



January 31, 2019

Description of the Product

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.

Portfolio Managers



Scott Moore, CFA
President & CIO

28 Years of Experience

Chad Baumler, CFA
Vice President

12 Years of Experience

Risk-Adjusted Returns Rankings¹

1ST PERCENTILE

Lipper
Category: Multi-Cap Value
SI Rank in Cat: 3 of 220

Morningstar
Category: Large Value
SI Rank in Cat: 5 of 915

Morningstar
Category: Mid-Cap Value
SI Rank in Cat: 1 of 299

Longer Term Performance Update

Since Inception Return: The return since inception (11/13/2008) through 1/31/2019 is 15.2 percent (annualized and net of fees) versus the Russell 3000 Value Index and S&P 500 Index, which have returned 11.7 percent and 13.6 percent respectively. We are pleased with this level of outperformance over time.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 1/31/2019 is 1.2 (net of fees) versus Russell 3000 Value Index at 0.8 and the S&P 500 Index at 1.0.

Peer Group Returns through 12/31/2018: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/08, we ranked 25 out of 915 peer group members (3rd percentile) in the Morningstar Large Cap Value universe, 11 out of 299 (4th percentile) in the Morningstar Mid-Cap Value universe, and 8 out of 220 (4th percentile) in the Lipper Multi-Cap Value universe.

Peer Group Risk-Adjusted Return through 12/31/2018: On a risk-adjusted return basis, since 11/30/2008, (measured by the Sharpe Ratio) we ranked 5 out of 915 peer group members (1st percentile) in the Morningstar Large Cap Value universe, 1 out of 299 (1st percentile) in the Morningstar Mid-Cap Value universe, and 3 out of 220 (1st percentile) in the Lipper Multi-Cap Value universe.

Peer Group Analysis 11/30/2008 - 12/31/2018	Since Inception APR ¹	Standard Deviation (A) ¹	Sharpe Ratio (A) ¹
Nuance Concentrated Value Composite (Gross)	14.9	12.3	1.2
Nuance Concentrated Value Composite (Net)	14.2	12.3	1.1
Lipper Multi-Cap Value Funds Peer Group (Median)	11.1	15.1	0.7
Peer Group Percentile and Ranking	4th (8 of 220)	6th (14 of 220)	1st (3 of 220)
Morningstar Large Value Peer Group (Median)	10.9	14.4	0.7
Peer Group Percentile and Ranking	3rd (25 of 915)	11th (104 of 915)	1st (5 of 915)
Morningstar Mid-Cap Value Peer Group (Median)	12.1	15.9	0.7
Peer Group Percentile and Ranking	4th (11 of 299)	1st (2 of 299)	1st (1 of 299)

Performance 11/13/2008 - 1/31/2019	APR*	TR*	Standard Deviation*	Sharpe Ratio*	10 Years	7 Years	5 Years	3 Years	1 Year	2019 YTD
Nuance Concentrated Value Composite (Gross)	15.9	352.4	12.4	1.3	15.9	12.5	8.6	12.4	1.2	7.2
Nuance Concentrated Value Composite (Net)	15.2	324.8	12.4	1.2	15.2	11.8	7.8	11.6	0.4	7.1
Russell 3000 Value Index	11.7	210.9	14.7	0.8	13.4	11.5	8.2	11.8	(4.8)	8.0
S&P 500 Index	13.6	268.5	13.6	1.0	15.0	13.2	10.9	14.0	(2.3)	8.0

*Since Inception

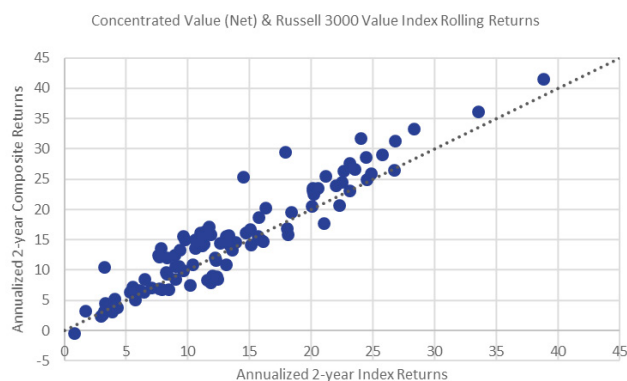
Shorter Term Performance Update (Two Year and Year-to-Date)

Rolling 2-Year Periods	Current 2-Year Period as of 1/31/2019		
	Periods Beating the Index	Composite (%) Net of Fees ¹	Russell 3000 Value Index (%)
11/30/2008 - 1/31/2019	65 / 99	65.7%	6.2
Nuance Concentrated Value Composite			5.4

Your team at Nuance cautions clients regarding the use of short-term performance as a tool to make 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 January 31, 2019, the Nuance Concentrated Value Composite two year rolling return is 6.2 percent (net of fees) versus the Russell 3000 Value Index and S&P 500 Index which have returned 5.4 percent and 11.1 percent respectively. Overall, we have outperformed in 65 out of the available 99 two-year periods as shown in the chart labeled Rolling 2-Year Return Periods.

Year-to-date, the Nuance Concentrated Value Composite has returned 7.1 percent (net of fees) versus the Russell 3000 Value Index and the S&P 500 Index, which have returned 8.0 percent and 8.0 percent respectively.



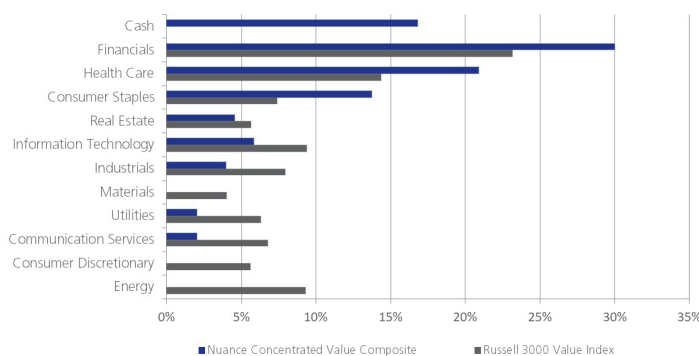
Calendar Year Performance as of 1/31/2019	11/13/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Nuance Concentrated Value Composite (Gross)	4.5	42.2	18.8	6.9	18.4	35.3	8.9	(1.3)	20.5	12.1	(3.8)	7.2
Nuance Concentrated Value Composite (Net)	4.5	41.7	18.1	6.3	17.8	34.5	8.1	(2.0)	19.7	11.3	(4.6)	7.1
Russell 3000 Value Index	0.4	19.8	16.3	(0.1)	17.6	32.7	12.7	(4.1)	18.4	13.2	(8.6)	8.0
S&P 500 Index	(0.5)	26.5	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	(4.4)	8.0

Composition of the Portfolio as of 1/31/2019

Portfolio Characteristics ²	Nuance Concentrated Value Composite	Russell 3000 Value Index
Weighted Average Market Cap	58.4b	113.1b
Median Market Cap	19.6b	1.5b
Price to Earnings (internal and ttm)*	16.9x	17.6x
Dividend Yield	1.7%	2.7%
Return on Equity	14.4%	14.8%
Return on Assets	5.7%	5.5%
Active Share vs Russell 3000 Value	94.1%	-
Upside/Downside Capture Ratio vs Russell 3000 Value	86.9% / 60.6%	-
Number of Securities	29	2,091

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 adjacent table, you can see that the portfolio has a Price to Earnings ratio of 16.9x versus the Russell 3000 Value Index of 17.6x. We are achieving this ratio with a portfolio of companies that have a return on assets of 5.7 percent versus the Russell 3000 Value Index of 5.5 percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

²Based on Nuance internal estimates and benchmarked against the above noted Russell index.

Sector Weights and Portfolio Positioning as of 1/31/2019

The portfolio was mostly unchanged during the first month of the year. Within the Financial sector, the largest overweight is in the insurance industry where a combination of low interest rates and a higher than average catastrophe year has created some significant opportunities, in our view. We remain overweight in the Healthcare sector. We continue to have an overweight position in the Consumer Staples sector and are finding select opportunities in the packaged foods & meats sub-industry. We are now underweight the Material sector and have exited our positions in the sector as those stocks approached our view of fair value. We remain underweight the Energy sector where we believe the sector is facing a multi-year period of competitive transition. Lastly, we remain underweight the Consumer Discretionary, Communication Services, Utilities, Materials and, Industrials sectors primarily due to valuation concerns.

Stocks We Added to Your Portfolio (January 2019):

None.

Stocks We Eliminated from Your Portfolio (January 2019):

None.

Nuance Perspectives from President & CIO, Scott Moore, CFA

Dear Clients,

After the first month of 2019, your Nuance Concentrated Value Composite is up 7.15 percent (net of fees) versus the Russell 3000 Value Index up 8.00 percent and the S&P 500 Index up 8.01 percent. More importantly to us, since our inception on 11/13/2008, the Nuance Concentrated Value Composite is up 15.20 percent (annualized and net of fees) versus the Russell 3000 Value Index up 11.74 percent and the S&P 500 Index up 13.61 percent.

After a fourth quarter that saw your Nuance Concentrated Value Composite down (4.93) percent (net of fees) versus the Russell 3000 Value Index down (12.25) percent and the S&P 500 Index down (13.52) percent, we were reasonably pleased with how we rallied coming out of year end. As most of our clients know, we don't oblige many short-term discussions, but the recent market downdraft and subsequent rally were interesting and aggressive. Fundamentally, nothing has changed since our 4th quarter call with our clients that was held the last week of January 2019. We continue to believe that your portfolio is comprised of one-off pockets of opportunity highlighted by stocks facing transitory issues within the Healthcare sector, the Consumer Staples sector, and the Insurance industry. Aside from those stocks and a few other one-offs ideas, we continue to have broad valuation concerns. We see significant leverage adding to the downside risk for many of the companies that we follow closely, and we believe the companies that comprise our Nuance Master List – as a group – are over-earning their mid-cycle normalized level of returns on capital due to late economic cycle issues, short-term tax related issues, and the continued proliferation of leverage. Within that broader set of companies, we see a nice window of opportunity to buy stocks of what we think of as high-quality companies facing transitory issues, that have sound balance sheets, and have what we believe to be better than average risk rewards than the broader market over time.

Our regular readers know, since the inception of our Nuance Concentrated Value Composite in November of 2008, we have written a short or long commentary each month that goes along with our traditional stock stories (new buys and full sells) and our portfolios performance and statistics packet. This contrasts with our other Nuance products that have used more traditional quarterly commentaries. After long consideration within the firm, we have decided to change this policy and begin writing commentaries on a quarterly basis going forward for this product as well. Importantly, we are not changing our policy to provide our clients with a short summary of our new holdings as well as a short commentary explaining when we have completely sold out of a stock. These commentaries have been and will continue to be a way for you to share a stock story with your clients or simply better understand how our process manifests itself into your portfolio.

Rest assured, we are still here each day to answer any questions or concerns or to get any thoughts from our clients. If any of you have any concerns about this commentary change, please do not hesitate to reach out to me directly at 816-743-7082 or scott.moore@nuanceinvestments.com.

Please visit our [website](#) 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](#). Call us at 816-743-7080. Click [here](#) for historical Concentrated Value Perspectives.

Thank you for your continued confidence and support.

Scott A. Moore, CFA

GIPS Disclosures

	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)	4.5	4.5	0.4	(0.5)	N/A	7	\$9,126,951	\$18,657,997	4.6%	-	-
2009	42.2	41.7	19.8	26.5	1.2	79	\$87,342,803	\$137,943,058	0.6%	-	-
2010	18.8	18.1	16.3	15.1	0.3	145	\$119,543,453	\$181,201,036	0.5%	-	-
2011	6.9	6.3	(0.1)	2.1	0.5	181	\$96,831,359	\$152,976,943	1.1%	16.1	21.3
2012	18.4	17.8	17.6	16.0	0.2	259	\$154,693,966	\$214,936,666	1.0%	13.1	16.0
2013	35.3	34.5	32.7	32.4	0.7	411	\$418,085,862	\$507,569,897	0.4%	12.2	13.1
2014	8.9	8.1	12.7	13.7	0.2	581	\$886,246,169	\$1,071,186,382	0.2%	10.4	9.5
2015	(1.3)	(2.0)	(4.1)	1.4	0.2	607	\$715,577,980	\$913,545,839	0.1%	11.4	10.9
2016	20.5	19.7	18.4	12.0	0.1	694	\$937,752,729	\$1,466,221,847	0.1%	11.1	11.1
2017	12.1	11.3	13.2	21.8	0.1	726	\$1,011,853,027	\$1,784,338,191	0.0%	10.1	10.5
2018	(3.8)	(4.6)	(8.6)	(4.4)	0.2	588	\$689,732,835	\$1,724,795,756	0.0%	9.4	11.2
YTD 2019 (1/31/2019)	7.2	7.1	8.0	8.0	N/A	574	\$724,821,561	\$2,027,499,030	0.0%	10.0	11.4

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 – 3/31/2018 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 Performance 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 equal-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. Prior to January 1, 2017 dispersion was calculated using an asset-weighted methodology. The calculation methodology was updated based on a new performance system dispersion calculation. Nuance has adopted the following Significant Cash Flow Policy. 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 if a single cash flow is equal or greater than 10 percent of the total account value based on the beginning 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 following month.

Our Core offerings are the Nuance Mid Cap Value Strategy, the Nuance Concentrated Value Strategy and the Nuance Concentrated Value Long-Short Strategy. 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 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 TR. 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 Clearwater Analytics. 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.

(1) Rankings and peer groups created internally using data from Zephyr Style Advisor. Risk-Adjusted Return (Sharpe Ratio), Standard Deviation and return calculations for the Composite and indices provided by Zephyr Style Advisor. The Composites have been compared to various peer groups defined by investment style. Subsets of the Morningstar Large Value Peer Group, the Morningstar Mid Cap Value Peer Group and the Lipper Multi-Cap Value Funds Peer Group with performance history since inception have been presented as investment strategies with similar investment styles for the Nuance Concentrated Value Composite. Subsets of the Morningstar Mid Cap Value Peer Group and the Lipper Mid-Cap Value Peer Group with performance history since inception have been presented as investment strategies with similar investment styles for the Nuance Mid Cap Value Composite. 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 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 that 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.

Portfolio holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security.

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.