Nuance Mid Cap Value Composite Perspectives

March 31, 2020

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

Chad Baumler, CFA
Vice President & Co-CIO
13 Years of Experience

Scott Moore, CFA
President & Co-CIO
29 Years of Experience

Darren Schryer, CFA, CPA
Associate Portfolio Manager
4 Years of Experience

Risk-Adjusted Returns Rankings[1]

1ST PERCENTILE

Lipper
Category: Mid-Cap Value
SI Rank in Cat: 1 of 97

Morningstar
Category: Mid-Cap Value
SI Rank in Cat: 1 of 314

Longer Term Performance Update (through March 31, 2020)

Since Inception Return: The return since inception (on 11/03/2008 through 3/31/2020) is 13.4 percent (annualized and net of fees) versus the Russell Mid Cap Value Index and S&P MidCap 400 Value Index which have returned 9.4 percent and 8.8 percent respectively. We are pleased with this level of outperformance over time.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 3/31/2020 is 0.9 (net of fees) versus Russell Midcap Value Index at 0.5, the S&P MidCap 400 Value Index at 0.4 and the S&P 500 Index at 0.8.

Peer Group Returns through 3/31/2020: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 1 out of 314 (1st percentile) peer group members in the Morningstar Mid Cap Value universe. Versus the Lipper Mid Cap Value universe we ranked 1 out of 97 (1st percentile).

Peer Group Risk-Adjusted Return through 3/31/2020: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 1 out of 314 (1st percentile) peer group members in the Morningstar Mid Cap Value universe. Versus the Lipper Mid Cap Value universe we ranked 1 out of 97 (1st percentile).

Peer Group Analysis 11/30/2008 - 3/31/2020	Since Inception APR[1]	Standard Deviation (A)[1]	Sharpe Ratio (A)[1]
Nuance Mid Cap Value Composite (Gross)	14.9	13.7	1.1
Nuance Mid Cap Value Composite (Net)	14.1	13.7	1.0
Lipper Mid-Cap Value Funds Peer Group (Median)	8.5	17.9	0.5
Peer Group Percentile and Ranking	1st (1 of 97)	1st (1 of 97)	1st (1 of 97)
Morningstar Mid-Cap Value Peer Group (Median)	9.3	17.5	0.5
Peer Group Percentile and Ranking	1st (1 of 314)	1st (3 of 314)	1st (1 of 314)

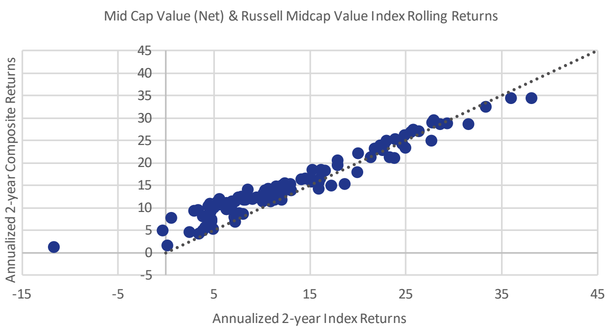
Performance 11/03/2008 - 3/31/2020	APR*	TR*	Standard Deviation*	Sharpe Ratio*	10 Years	7 Years	5 Years	3 Years	1 Year	2020 YTD
Nuance Mid Cap Value Composite (Gross)	14.2	355.4	13.8	1.0	12.4	10.1	8.0	4.8	(4.7)	(19.1)
Nuance Mid Cap Value Composite (Net)	13.4	320.1	13.8	0.9	11.5	9.4	7.3	4.1	(5.3)	(19.2)
Russell Midcap Value Index	9.4	178.4	17.5	0.5	7.2	4.1	(0.8)	(6.0)	(24.2)	(31.7)
S&P Midcap 400 Value Index	8.8	161.6	18.8	0.4	6.5	3.3	(1.5)	(7.6)	(28.3)	(35.1)
S&P 500 Index	11.3	240.8	14.4	0.8	10.5	9.6	6.7	5.1	(7.0)	(19.6)

*Since Inception

Value. Delivered.

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

Rolling 2-Year Periods			Current 2-Year Period as of 3/31/2020	
11/30/2008 - 3/31/2020	Periods Beating the Index		Composite (%) Net of Fees[1]	Russell Midcap Value Index (%)
Nuance Mid Cap Value Composite	92 / 113	81.4%	1.1	(11.7)



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 March 31, 2020, the Nuance Mid Cap Value Composite two year rolling return is 1.1 percent (net of fees) versus the Russell Midcap Value Index and S&P 500 Index which have returned (11.7) percent and 0.9 percent respectively. Overall, we have outperformed in 92 out of the available 113 two-year periods as shown in the chart labeled Annual 2-Year Rolling Return.

Year-to-date, the Nuance Mid Cap Value Composite has returned (19.2) percent (net of fees) versus the Russell Mid Cap Value Index and the S&P 500 Index which have returned (31.7) percent and (19.6) percent respectively.

Calendar Year Performance as of 3/31/2020	11/03/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
Nuance Mid Cap Value Composite (Gross)	(4.1)	38.7	21.1	4.0	22.0	35.5	9.8	3.0	21.9	16.2	(4.2)	32.5	(19.1)
Nuance Mid Cap Value Composite (Net)	(4.1)	38.2	20.0	3.4	20.6	34.2	9.1	2.3	21.1	15.4	(4.9)	31.6	(19.2)
Russell Midcap Value Index	(5.6)	34.2	24.8	(1.4)	18.5	33.6	14.7	(4.8)	20.0	13.3	(12.3)	27.0	(31.7)
S&P MidCap 400 Value Index	(3.9)	33.8	22.8	(2.4)	19.1	34.3	12.0	(6.7)	26.5	12.3	(11.9)	26.0	(35.1)
S&P 500 Index	(6.0)	26.5	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	(4.4)	31.5	(19.6)

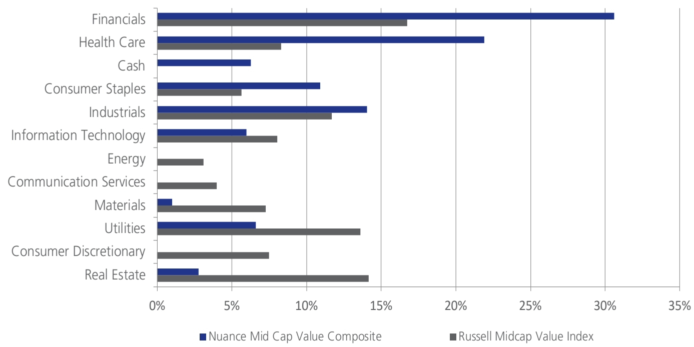
Composition of the Portfolio as of 3/31/2020

Portfolio Characteristics[2]	Nuance Mid Cap Value Composite	Russell Midcap Value Index
Weighted Average Market Cap	18.3b	12.4b
Median Market Cap	8.6b	5.2b
Price to Earnings (internal and ttm)*	14.6x	16.1x
Dividend Yield	2.2%	3.3%
Return on Equity	12.6%	11.9%
Return on Assets	4.7%	4.5%
Active Share vs Russell Midcap Value	96.5%	-
Upside/Downside Capture Ratio vs Russell Midcap Value	91.6% / 71.8%	-
Number of Securities	59	632

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

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 14.6x versus the Russell Midcap Value Index of 16.1x. We are achieving this ratio with a portfolio of companies that have a return on assets of 4.7 percent versus the Russell Midcap Value Index of 4.5 percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

Sector Weights and Portfolio Positioning as of 3/31/2020



While the portfolio was mostly unchanged from a sector overweight/underweight perspective, we did make several changes as we believe the volatility from the Coronavirus shifted several risk/rewards. The Health Care and Financials sectors remain our largest sector overweights relative to the benchmark. In the Health Care sector, we increased our weight as we continue to see attractive risk/rewards in several select leaders. Many of those risk/rewards have improved during the month as the market generally believes that elective procedures will be delayed and that the healthcare system will be hampered by the need to have capacity available for Coronavirus patients. We also increased our weight in the Industrials sector as we believe attractive risk/rewards are starting to appear in the electrical components & equipment sub-industry. Lastly, we increased our weight in the Financials sector as many of our leaders are under-earning on what we believe are below normal interest rates. We remain overweight the Consumer Staples sector as we are finding select opportunities, mainly in the packaged foods & meats sub-industry. We lowered our weight in the Real Estate sector during the quarter after a period of relative outperformance, and we are now underweight the sector. 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, Information Technology sectors primarily due to valuation concerns.

Nuance Perspectives from President & Co-CIO, Scott Moore, CFA

Dear Clients,

At the end of the first quarter of 2020, your Nuance Mid Cap Value Composite was down (19.20) percent (year-to-date through 3/31/2020 and net of fees) versus the Russell Midcap Value Index down (31.71) percent and the S&P 500 Index down (19.60) percent. Most importantly to us, since our inception on 11/03/2008, the Nuance Mid Cap Value Composite is up 13.39 percent (annualized and net of fees) versus the Russell Midcap Value Index up 9.39 percent and the S&P 500 Index up 11.34 percent.

That was undoubtedly quite a quarter for all of us in so many ways, both personally and professionally. In this quarter's commentary, I would like to cover three issues:

1. The Coronavirus (CV) is certainly a unique event and period of time in our history. However, Nuance believes that this event is transitory in nature and that the word transitory is a genuinely critical one from an investment perspective.

2. Using our Nuance investment process to navigate transitorily negative issues and moments is one of the hallmarks of our team, our process, and our products.

3. Extremely volatile periods in the market typically creates opportunities, in our opinion.

The CV pandemic is certainly a unique event and a significant transitorily negative time and moment in our history. Within a range of outcomes that is likely to be from 2 months to 2 years (and possibly longer), the timing of the end of the transitorily negative period is far from clear. Can a vaccine be developed, produced, and distributed in 11-18 months when the typical period is closer to five years? Will the phasing back towards some semblance of normalcy result in a second wave of CV? Will that wave be smaller or larger than the first? These are just a few of a thousand questions that frankly don't have great answers yet.

We have spent much of the first quarter discussing the nature of the CV-related business issues with many of our companies. There are certainly serious areas of concern as well as areas of opportunity due to confusion and short-term thinking. As always, there are no guarantees to our view and opinions, but sorting through true areas of concern and areas of opportunity is our task each day. After our discussions, we would suggest the biggest area of concern relates to the possible domino effect of the CV causing a long and deep recession that will trigger leveraged businesses across our economy to face significant stress. Leverage is an issue that your team takes very seriously and has been a very misunderstood risk in this market for quite some time. Permanent equity value destruction in the form of stress induced equity offerings or even bankruptcy is a real risk at many companies throughout the market. If this cascade effect occurs, this would likely be a negative period for the broader market in our view, particularly so for the most leveraged companies. Fortunately, we identified leverage as a significant risk, and we have written about that risk multiple times.

A more positive CV scenario would be a V-shaped recovery with only a short-term negative period in which social distancing works well, and we can all go back to some sense of normalcy within the next few months. It is hard to think of this period of time as having a positive anything, considering the real human issues and pain that we are observing, but for our investment purposes only, a rapid normalization of society would be a best-case result.

So, how do we take advantage of volatility and pricing disruptions during periods like these? Nuance's investment process hinges on identifying transitorily adverse events and periods for any or all of the Nuance Approved List - a group of companies that we have identified as leading business franchises with sustainable competitive positions that we believe will continue to have those competitive positions through a myriad of event risk periods like CV as well as a multitude of business cycles. In our view, the CV is a classic (yet extraordinary) transitorily negative event, and we believe is likely to fit inside the time horizon that we typically think of for a transitorily negative period. Often these periods are from one to two quarters up to two to three years. At present, Nuance has two analysts focusing on the CV issues very specifically, while the entire team is studying the impacts to their areas of sector, industry, and sub-industry expertise. Within that context, we see some interesting areas of opportunity within the Health Care and Financials sectors being the two we would highlight.

In Health Care, the market generally believes that elective procedures will be delayed and that the healthcare system will be hampered by the need to have capacity available for CV patients. Indeed, our work is suggesting that this fear is quite real and that earnings will be very difficult in the near term for many healthcare companies. Within that theme, we view a stock like Dentsply Sirona, Inc. (XRAY) as an opportunity due to the expectation of declining earnings. A long-time member of the Nuance Approved List, XRAY is the leading global manufacturer of dental supplies along with two other players in an oligopolistic competitive market. We believe normal or mid-cycle earnings for XRAY are approximately $2.70-2.80. In the low-to-mid $30's, that implies a price to earnings multiple of only 13-14x versus a broader Nuance Approved List in the low 20's.

In the Financials sector, we would highlight The Travelers Companies Inc. (TRV). TRV is the dominant property and casualty insurance company for the small to mid-sized business market. Concerns over a slowing economy, a possible loss of clients due to small business closures, as well as a contractual challenge related to pandemics caused the stock to go down significantly. With normal or mid-cycle earnings of approximately $12.00, in our opinion, we are buying the stock for less than a 10x price to earnings ratio versus the broader Nuance Approved List in the low 20's on a price to earnings ratio basis.

These are but two of many opportunities that this period has shown us and we believe there are quite a few more. I would like to close my quarterly commentary with three thoughts:

1. All risk and fear moments provide some level of opportunity and we believe that this is one of those moments.

2. Our Nuance process fits these moments naturally, and our experience across many negative economic periods and event risk items allows us to methodically allocate your capital where we believe the best risk/rewards are in the marketplace.

3. As of this writing, our Nuance Approved List – as a group – is still overvalued and thus our clients should be aware that a protracted negative economic period would likely lead to negative stock price movements as valuation would probably shift from overvalued to undervalued as is typically the case during these periods.

After this quarter of volatility, we believe that your Nuance portfolio is comprised of competitively advantaged businesses with sustainable competitive positions going forward. We also believe that we own well-financed businesses that can sustain themselves well during a recessionary period for the economy and, in many cases, can use their financial strength to enhance their competitive positions versus their peers. Lastly, we own this group of companies due to one or more transitory issues – in today's world that is largely the CV pandemic – that have resulted in valuation levels being depressed such that our holdings have better upside potential than the broad market as well as better downside support than the broad market , in our view. As always, there are zero guarantees of going forward performance, but this positioning is core to our Nuance process each day and the long-term performance suggests these tenets have merit.

Finally, our entire firm continues to operate Nuance under our Nuance Business Continuity Plan (BCP) and would like to assure our clients that our planning in previous years has led to execution levels on par with our in the office efforts. If any of you have any questions about how this BPC plan works or our day-to-day processes during this period, please do not hesitate to reach out to our team.

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 Mid Cap 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 (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	$9,531,045	$18,657,997	0.0%	-	-
2009	38.7	38.2	34.2	33.8	-	4	$50,600,141	$137,943,058	1.1%	-	-
2010	21.1	20.0	24.8	22.8	0.1	4	$60,702,099	$181,201,036	1.1%	-	-
2011	4.0	3.4	(1.4)	(2.4)	0.1	4	$55,186,800	$152,976,943	0.9%	18.2	23.1
2012	22.0	20.6	18.5	19.1	0.1	4	$58,463,905	$214,936,666	1.0%	14.6	17.0
2013	35.5	34.2	33.6	34.3	0.1	8.	$80,358,264	$507,569,897	1.0%	13.1	13.9
2014	9.8	9.1	14.7	12.0	0.1	13	$130,238,086	$1,071,186,382	0.7%	10.7	9.9
2015	3.0	2.3	(4.8)	(6.7)	0.1	17	$145,638,450	$913,545,839	0.6%	11.2	10.9
2016	21.9	21.1	20.0	26.5	0.1	17	$416,346,621	$1,466,221,847	0.0%	11.5	11.5
2017	16.2	15.4	13.3	12.3	0.0	23	$586,931,538	$1,784,338,191	0.0%	10.5	10.5
2018	(4.2)	(4.9)	(12.3)	(11.9)	0.1	21	$852,510,018	$1,724,795,756	0.0%	10.2	12.1
2019	32.5	31.6	27.0	26.0	0.2	43	$2,297,275,123	$3,486,104,071	0.0%	9.4	13.0
YTD 2020 (3/31/2020)	(19.1)	(19.2)	(31.7)	(35.1)	N/A	54	$2,022,217,985	$3,069,305,324	0.0%	12.6	19.5

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 – 3/31/19 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. Incentive fee structures and performance-based fee structures are available for qualified clients and are negotiated individually. 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 the 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 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 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. Portfolio and and Index P/E are calculated as the weighted average of individual company P/E ratios. 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.

From the period 6/30/2017 to 7/31/2019, our internal Price to Earnings calculation was understated based on an inaccurate calculation of preferred securities. Those numbers have been restated and are accurately reflected in all of our materials on the website.

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

Holdings identified do not represent all of the securities purchased, sold or recommended for the adviser's clients. Portfolio holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security. As of 3/31/2020 portfolio weights of names discussed are as follows: The Travelers Companies Inc. (TRV) 6.86%, and Dentsply Sirona, Inc. (XRAY) 6.43%.

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.