# Nuance Mid Cap Value Composite Perspectives

December 31, 2021

## 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
15 Years of Experience

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

Darren Schryer, CFA, CPA
Portfolio Manager
6 Years of Experience

Risk-Adjusted Returns Rankings[1]

**1ST PERCENTILE**

Lipper
Category: Mid-Cap Value
Ranking vs. Peers: 1 of 99

Morningstar
Category: Mid-Cap Value
Ranking vs. Peers: 1 of 292

## Longer Term Performance Update (through December 31, 2021)

Since Inception Return: The return since inception (on 11/03/2008 through 12/31/2021) is 14.68 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 13.82 percent, the S&P MidCap 400® Value Index up 13.79 percent, and the S&P 500® Index up 15.23 percent.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 12/31/2021 is 1.05 (net of fees) versus the Russell Midcap® Value Index at 0.76, the S&P MidCap 400® Value Index at 0.70, and the S&P 500® Index at 1.00.

Peer Group Returns through 12/31/2021: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 27 out of 292 peer group members (9th percentile) in the Morningstar Mid-Cap Value Funds universe and 10 out of 99 (10th percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Risk-Adjusted Return through 12/31/2021: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 1 out of 292 peer group members (1st percentile) in the Morningstar Mid-Cap Value Funds universe and 1 out of 99 (1st percentile) in the Lipper Mid-Cap Value Funds universe.

| **Peer Group Returns** 11/30/2008 - 12/31/2021 | Since Inception APR[1] | Standard Deviation (A)[1] | Sharpe Ratio (A)[1] |
|---|---|---|---|
| Nuance Mid Cap Value Composite (Gross) | 16.12 | 13.44 | 1.16 |
| Nuance Mid Cap Value Composite (Net) | 15.30 | 13.46 | 1.10 |
| Morningstar Mid-Cap Value Funds Peer Group (Median) | 13.84 | 17.56 | 0.74 |
| Peer Group Percentile and Ranking | 9th (27 of 292) | 1st (2 of 292) | 1st (1 of 292) |
| Lipper Mid-Cap Value Funds Peer Group (Median) | 14.01 | 18.04 | 0.73 |
| Peer Group Percentile and Ranking | 10th (10 of 99) | 1st (2 of 99) | 1st (1 of 99) |

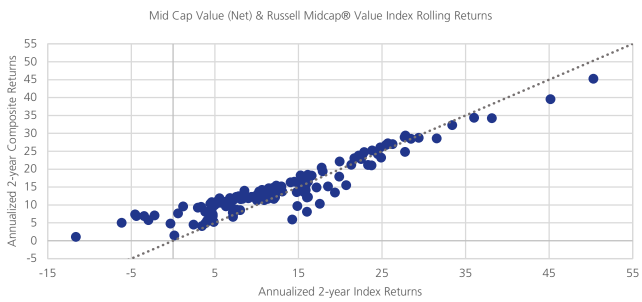
| **Performance** 11/03/2008 - 12/31/2021 | APR* | TR* | Standard Deviation* | Sharpe Ratio* | 10 Year | 7 Year | 5 Year | 3 Year | 1 Year | YTD 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Nuance Mid Cap Value Composite (Gross) | 15.49 | 566.27 | 13.53 | 1.11 | 14.79 | 11.86 | 11.80 | 16.20 | 12.28 | 12.28 |
| Nuance Mid Cap Value Composite (Net) | 14.68 | 507.42 | 13.55 | 1.05 | 13.95 | 11.11 | 11.03 | 15.41 | 11.51 | 11.51 |
| Russell Midcap® Value Index | 13.82 | 450.00 | 17.57 | 0.76 | 13.43 | 9.96 | 11.21 | 19.60 | 28.34 | 28.34 |
| S&P 400 Midcap Value Index | 13.79 | 448.09 | 19.02 | 0.70 | 13.54 | 10.38 | 11.08 | 19.53 | 30.65 | 30.65 |
| S&P 500® Index | 15.23 | 546.42 | 14.66 | 1.00 | 16.54 | 14.92 | 18.46 | 26.04 | 28.71 | 28.71 |

*Since Inception. Returns for periods greater than a year have been annualized.

[1]The Nuance Mid Cap Value Composite is a mid-capitalization value investment product and consists of separately managed accounts in the Nuance Mid Cap Value strategy. Rankings and peer group comparisons are created internally using data from FactSet. For comparison purposes, subsets of the Morningstar Mid-Cap Value Funds Peer Group and the Lipper Mid-Cap Value Funds Peer Group with performance history since inception have been presented as investment strategies with a similar investment style to 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 FactSet based upon strategies with monthly return data from December 2008 to present. FactSet reports on month end returns only. For more information on peer group comparisons and calculations, please refer to the full disclosures.

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

| Rolling 2-Year Return Periods | | | Current 2-Year Period as of 12/31/2021 | |
|---|---|---|---|---|
| 11/30/2008 - 12/31/2021 | Periods Beating the Index | | Composite (%) Annualized Net of Fees | Russell Midcap® Value Index (%) |
| Nuance Mid Cap Value Composite | 102 / 134 | 76.1% | 8.07 | 16.04 |




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 December 31, 2021, the Nuance Mid Cap Value Composite two-year rolling return is 8.07 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 16.04 percent, the S&P MidCap 400® Value Index up 16.39 percent, and the S&P 500® Index up 23.41 percent. Overall, we have outperformed in 102 out of the available 134 two-year periods as shown in the chart labeled Rolling 2-Year Return Periods.

Year-to-date, the Nuance Mid Cap Value Composite has returned 11.51 percent (net of fees) versus the Russell Midcap® Value Index up 28.34 percent, the S&P MidCap 400® Value Index up 30.65 percent, and the S&P 500® Index up 28.71 percent.

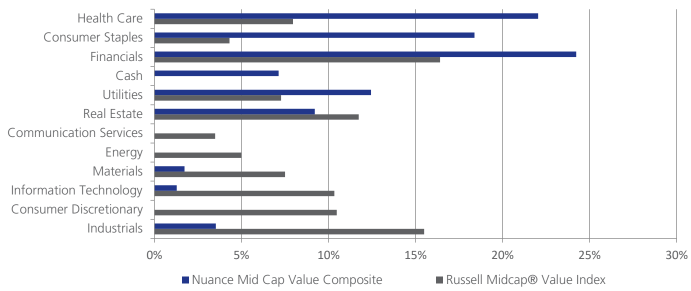
| **Calendar Year Performance** as of 12/31/2021 | 11/03/08 - 12/31/08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | YTD 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nuance Mid Cap Value Composite (Gross) | (4.13) | 38.69 | 21.08 | 4.04 | 22.02 | 35.45 | 9.79 | 2.95 | 21.87 | 16.18 | (4.18) | 32.52 | 5.49 | 12.28 |
| Nuance Mid Cap Value Composite (Net) | (4.13) | 38.20 | 20.01 | 3.38 | 20.61 | 34.24 | 9.14 | 2.33 | 21.05 | 15.42 | (4.88) | 31.62 | 4.76 | 11.51 |
| Russell Midcap® Value Index | (5.60) | 34.21 | 24.75 | (1.38) | 18.51 | 33.46 | 14.75 | (4.78) | 20.00 | 13.34 | (12.29) | 27.06 | 4.96 | 28.34 |
| S&P 400 Midcap Value Index | (3.99) | 33.73 | 22.78 | (2.43) | 18.53 | 34.25 | 12.10 | (6.65) | 26.53 | 12.32 | (11.88) | 26.08 | 3.73 | 30.65 |
| S&P 500® Index | (5.95) | 26.46 | 15.06 | 2.11 | 16.00 | 32.39 | 13.69 | 1.38 | 11.96 | 21.83 | (4.38) | 31.49 | 18.40 | 28.71 |

## Composition of the Portfolio as of 12/31/2021

| Portfolio Characteristics[2] | Nuance Mid Cap Value Composite | Russell Midcap® Value Index |
|---|---|---|
| Weighted Average Market Cap | 23.2b | 23.2b |
| Median Market Cap | 10.0b | 11.3b |
| Price to Earnings (internal and ttm)* | 15.7x | 21.2x |
| Price to Earnings (ex-neg earnings) | - | 17.2x |
| Dividend Yield | 1.9% | 1.5% |
| Return on Equity | 9.5% | 12.4% |
| Return on Assets | 2.7% | 2.6% |
| Active Share vs Russell Midcap® Value Index | 97% | - |
| Upside/Downside Capture Ratio vs Russell Midcap® Value Index | 84% / 73% | - |
| Number of Securities | 55 | 704 |

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 15.7x versus the Russell Midcap® Value Index of 21.2x. We are achieving this ratio with a portfolio of companies that have a return on assets of 2.7 percent versus the Russell Midcap® Value Index of 2.6 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 12/31/2021




The portfolio was mostly unchanged during the quarter from a sector weight standpoint. The Consumer Staples, Health Care, and Financials sectors remain our largest sector overweight positions relative to the benchmark. Within the Consumer Staples sector, we are seeing opportunities primarily in the Personal Products, Household Products, and Food Products industries as we continue to believe Covid-19 is impacting select businesses. Additionally, we believe that earnings have been negatively impacted by rising raw material costs. We believe these costs can ultimately be mostly offset by price increases which generally lag the raw material price increases. In the Health Care sector, we continue to believe that hospital patient volumes are still running below normal as the industry continues to recover from disruption associated with the Covid-19 pandemic. In our opinion, this has created opportunities within the Health Care Equipment & Supplies industry which makes up a large portion of our overweight position in the sector. The Financials sector continues to be the largest absolute weight in the portfolio as we continue to find attractive risk rewards primarily in the Insurance industry, in our view. Our overweight in the Utilities sector is primarily made up of exposure to the Water Utilities industry as we believe these companies are under-earning as the base returns on equity awarded by regulators have been pressured by the historically low interest rate environment. 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, Industrials, Communication Services, Materials, and Information Technology sectors primarily due to competitive uncertainty and valuation concerns.

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

Dear Clients,

For the calendar year ending December 31, 2021, the Nuance Mid Cap Value Composite was up 11.51 percent (net of fees) compared to the Russell Midcap® Value Index, which was up 28.34 percent, the S&P Mid Cap 400® Value Index, which was up 30.65 percent, and the S&P 500® Index, which was up 28.71 percent. From our perspective, since-inception performance is the most important barometer of performance, and in the period since inception (November 3, 2008 - December 31, 2021), the Nuance Mid Cap Value Composite was up 14.68 percent (annualized and net of fees) compared to the Russell Midcap® Value Index, which was up 13.82 percent, the S&P Mid Cap 400® Value Index, which was up 13.79 percent, and the S&P 500® Index, which was up 15.23 percent.

<u>Nuance Performance Goals</u>

At Nuance, we have four overriding goals for our Mid Cap Value investment strategy:

1. First, we seek to beat our primary benchmark (the Russell Midcap® Value Index) more times than not during calendar years. Calendar year performance matters to us given how important that period is to most of our clients. We are unlikely to beat our benchmark each calendar year and expect to have particular difficulty outperforming during latter stages of the investment, valuation, and economic cycles. In our experience, those periods are usually characterized by high valuations, high levels of corporate leverage, and often narrow markets in which investors do not appear to be focused on risk in general. In pursuing this goal, we note that since the inception of the Nuance Mid Cap Value Composite on November 3, 2008, we have outperformed our primary benchmark 10 out of 14 years (including our stub year of 2008) and 9 out of 13 (not including the 2008 stub year).

2. Second, we seek to outperform our primary benchmark since inception (and net of fees) and to do so with less risk, as measured by the standard deviation of returns. As of December 31, 2021, we have accomplished this goal, given that the Nuance Mid Cap Value Composite rose 14.68 percent (annualized and net of fees) between its inception on November 3, 2008 through December 31, 2021 compared to the Russell Midcap® Value Index, which rose 13.82 percent. Further, during the same period, the Nuance Mid Cap Value Composite had a standard deviation of 13.55 percent (annualized and net of fees), meaningfully lower than the 17.57 percent standard deviation of the Russell Midcap® Value Index.

3. Third, we seek to outperform our peers over the long term (since inception) and to do so with less risk, as measured by the standard deviation of returns. Since inception, our peer group performance has also been solid, as illustrated by the Nuance Mid Cap Value Composite's 1st percentile Sharpe Ratio metrics versus our peers (see Exhibit 1 below).[1]

Exhibit 1[1]

| **Peer Group Returns** 11/30/2008 - 12/31/2021 | Since Inception APR[1] | Standard Deviation (A)[1] | Sharpe Ratio (A)[1] |
|---|---|---|---|
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| | | | |
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4. Fourth and finally, we seek to beat our secondary benchmarks over the long term (since inception) and to do so with less risk, as measured by the standard deviation of returns. Since inception on November 3, 2008 through December 31, 2021, the Nuance Mid Cap Value Composite was up 14.68 percent (annualized and net of fees) versus the S&P MidCap 400® Value Index, which was up 13.79 percent, and the S&P 500® Index, which was up 15.23 percent. Further, the Nuance Mid Cap Value Composite had a standard deviation of 13.55 percent (net of fees) during the same time period, which is lower than the 19.02 percent standard deviation of the S&P MidCap 400® Value Index and the 14.66 percent standard deviation of the S&P 500® Index. Although the recent latter cycle period has taken us below the S&P 500® Index on an absolute basis, we are pleased that we are ahead of our secondary benchmark on a risk-adjusted basis.

Nuance Perspectives[2]

2021 Year in Review

The year 2021 can best be described as disappointing for us here at Nuance. Our Nuance Mid Cap Value Composite was up 11.51 percent (net of fees), while the Russell Midcap® Value Index (our primary benchmark) was up 28.34 percent and the S&P MidCap 400® Value Index and S&P 500® Index (our secondary benchmarks) were up 30.65 and 28.71 percent respectively. Given the relative underperformance of the Nuance Mid Cap Value Composite, we believe it is safe to say that the market and your Nuance team disagreed about where the best investment opportunities were for the entirety of the calendar year. Our longer-term results continue to be reasonable, in our view, as noted above. That said, underperformance of approximately 1,600 basis points generally requires multiple underperforming sectors and issues, which was the case during 2021.

One of the most glaring areas of underperformance for our Nuance Mid Cap Value Composite was the result of having no exposure to the Energy sector, the best-performing sector in the primary benchmark, the Russell Midcap® Value Index. We continue to avoid the Energy sector due to what we believe are long-term competitive challenges within the sector. Buoyed by short-term boosts in demand and coming off multiple years of supply investment shortfalls, fossil fuel prices rebounded for both oil and natural gas in 2021. That led to the Energy sector portion of the Russell Midcap® Value Index being up a robust 57.89 percent for 2021. Our team – through a significant and ongoing research effort – made the decision in 2017 that the Energy sector would likely be heading into a multi-decade transition that would see demand fall from today's levels and ultimately slowly contract. This, in our opinion, creates a group of companies that are likely to lose market share over the long term, thus stifling normal growth and leading to potentially dilutive acquisition and capital allocation decisions to get primary legacy businesses away from the transition. That stance for the firm was a significant contributor for our clients in 2018, 2019, and 2020 (using FactSet two-factor Brinson Attribution). In 2018 we had positive attribution of 94 basis points (bps), in 2019 we gained 103 bps of attribution, and 2020 saw 211 bps of attribution. To quote last year's 2020 year-end commentary, "our identification of the competitive structural issues within the businesses that comprise the Energy sector in 2017 continued to bolster relative performance. The Energy sector was down significantly during the 2020 calendar year and our investment strategy's lack of exposure added more than 200 bps to relative returns." For 2021, that identification and work within the context of our Nuance process did not bear fruit and we lost close to 100 bps as a result. Would we change our stance after reflecting on 2021's poor performance year? The simple answer is no. We continue to believe that there are and will be structural issues over time in the traditional fossil fuel-led portions of the Energy sector, and we remain void the space just like we are in any company, industry, or sector facing significant competitive transitions. Our going forward Energy-related investments will be centered on electrical equipment, electric supplies, and other niche areas, products, technology, and services that support solar, geothermal, wind-oriented energy, and other sustainable energy sources that materialize over time all within the context of our investment process.

The Nuance Mid Cap Value Composite also underperformed due to below-average stock selection in the Financials sector. Despite an overweight in this outperforming sector for the year, our investments were focused on the lagging Insurance industry. Stocks including Travelers Companies, Inc. (TRV), Everest Re Group, Ltd. (RE), and Chubb Limited (CB) hurt performance. These results were in keeping with a broader market theme, in our opinion. TRV, RE, and CB were each up for the twelve-month period, but they did not gain as much as the Russell Midcap® Value Index in 2021 in a market where investors appeared focused, we believe, on companies with lower-quality competitive positions, greater leverage, and/or potentially higher valuations based on our internal Nuance definitions. The Financials sector is a large and expansive sector with competitive challenges and technological disruption observed within many of its industries and sub-industries, in our opinion. The consumer finance space (both consumer banks and services) is an example of an area within the Financials sector that we believe is fraught with competitive disruption and going forward competitive uncertainty that does not fit our Nuance process, yet that space did generally well in 2021. As our clients are aware, these are not attractive traits within the context of the Nuance investment process and thus are not areas we gravitate toward.

Another significant underperforming sector was the Health Care sector where our overweight stance and below-average stock selection hurt performance. Top holding Smith & Nephew PLC (SNN) is an example as it was down for the year as the different variants of Covid-19 once again extended the recovery of elective

[1]The Nuance Mid Cap Value Composite is a mid-capitalization value investment product and consists of separately managed accounts in the Nuance Mid Cap Value strategy. Rankings and peer group comparisons are created internally using data from FactSet. For comparison purposes, subsets of the Morningstar Mid-Cap Value Funds Peer Group and the Lipper Mid-Cap Value Funds Peer Group with performance history since inception have been presented as investment strategies with a similar investment style to 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 FactSet based upon strategies with monthly return data from December 2008 to present. FactSet reports on month end returns only. For more information on peer group comparisons and calculations, please refer to the full disclosures.

[2]For more information on how to obtain our calculation methodology, a list showing the contribution of each holding in the composite to the overall composite performance, please contact Nuance Investments at 816-743-7080. The holdings identified do not represent all of the securities purchased, sold, or recommended for our clients. Past performance does not guarantee future results.

procedures particularly in Europe. That extension of the recovery was a theme across the Health Care sector and is the primary reason for underperformance, in our opinion. SNN continues to be representative of our investment process and is a top holding as of this writing and one of our compelling risk rewards ideas heading into 2022. We will discuss the Heath Care sector in more depth in the 2022 outlook.

Lastly, we note underperformance in each of the Real Estate, Utilities, and Consumer Staples sectors. Equity Commonwealth (EQC), SJW Group (SJW), and Beiersdorf AG (BDRFY) were three examples in those respective sectors. We will address the Consumer Staples sector more granularly in our 2022 outlook.

The positive sectors for the Nuance Mid Cap Value Composite during the twelve-month period were just not meaningful enough to offset the negatives. That said, the Information Technology, Industrials, Communication Services, and Consumer Discretionary sectors ended up as positive contributors. Taken together, and as we discussed previously this year, the degree of the Nuance Mid Cap Value Composite's underperformance certainly gives us pause and causes us to reflect more broadly on market sentiment, the market environment, and the traits leading and lagging the market. Overall, it is our opinion that the market has been in an aggressive late-cycle period where the risk component of the risk reward profile is generally not a paramount factor. Further, we have previously discussed our view on debt and leverage at length in our writings, and we have also discussed the apparent lack of downside risk appreciation that generally results from leverage. Finally, we would note that we believe there is a broader, seemingly speculative nature to this market environment that seems to be a common thread in historical late cycle market periods. Considered together, these traits generally do not coincide with the investment opportunity set generated by our Nuance investment process; thus, when the market broadly prefers these traits, the Nuance Mid Cap Value Composite can go through periods of underperformance. Clearly, 2021 was one of those times and a very difficult period. That said, underperformance can certainly breed opportunity, in our opinion, and we will discuss that more meaningfully below following a more detailed review of our portfolio attribution.

2021 Attribution Analysis

For the 12 months ended December 31, 2021, the Nuance Mid Cap Value Composite was up 11.51 percent (net of fees) versus our primary benchmark, the Russell Midcap® Value Index, which was up 28.34 percent. Thus, the strategy underperformed its benchmark by 16.83 percent. In studying the attribution (per FactSet two-factor Brinson Attribution), we make the following observations:

1. Our overweight in the Health Care sector was a meaningful detractor to performance. Our investments were primarily in companies that had exposure to elective procedures, where we believed that Covid-19-related disruptions had caused material transitory under-earning. Subsequent waves of Covid-19 variants and associated impacts such as hospital staffing shortages caused a more protracted return to normal earnings power in many of those companies, in our view. Positive contributors in areas that recovered more quickly, such as Dentsply Sirona, Inc. (XRAY) in dental, were not sufficient to offset the negative contribution from stocks such as Smith & Nephew plc (SNN) in orthopedics, which remains operating well below what we consider to be normal levels. We continue to have a positive view on the Health Care sector as of the end of 2021.
2. Our overweight in the Consumer Staples sector was also a meaningful detractor to performance. Our investment in personal care products leader Beiersdorf AG (BDRFY) was our worst performing stock in 2021, and the announced acquisition of Sanderson Farms, Inc. (SAFM), our best performing stock in 2021, was not sufficient to offset it.
3. Stock selection in the Financials sector contributed negatively to performance as the negative contribution from our investments in insurers such as Travelers Companies, Inc. (TRV) and Everest Re Group, Ltd. (RE) exceeded the positive contribution from regional banks such as Valley National Bancorp (VLY) and UMB Financial Corporation (UMBF).
4. Our investment in Equity Commonwealth (EQC) was a negative contributor to performance as they were unable to complete any meaningful acquisitions, and we believe their large net-cash balance sheet proved to be a drag in the up-trending market of 2021.
5. As noted earlier, our underweight of the Energy sector was a negative contributor to our performance as 2021 experienced a cyclical rebound in commodity prices and Energy was the best performing sector in the Russell Midcap® Value Index. We continue to believe there are major competitive issues impacting the companies making up the Energy sector as new technologies take share from legacy fossil fuels, and we retain a negative view of the sector despite its short-term outperformance.
6. We made no investments in the Communication Services or Consumer Discretionary sectors in 2021 as we saw the risk of significant competitive threats, over-earning, and high leverage in many companies in those sectors, both of which underperformed the Russell Midcap® Value Index and therefore contributed positively to our performance.
7. Our underweight position in the Industrials sector contributed positively to performance, as did our investment in Northrop Grumman Corporation (NOC).
8. Lastly, our cash position had a negative total effect as the Russell Midcap® Value Index was up 28.34 percent in 2021.

2022 Outlook

Opportunities for 2022 emphasize taking full advantage of the market's current propensity to under-appreciate valuation and financial strength (lack of debt) as primary investment opportunities and factors. Specifically, we are centered on three issues that we believe are creating transitorily negative issues and thus opportunity at our companies, two of which are relatively new and one of which is stubbornly persistent. The two relatively new issues are the ongoing Covid-19 disruptions (new since first quarter of 2020) and the newer cost and inflationary pressures we are seeing across the economy that manifested clearly in 2021. The older and more stubborn issue is the oddity of low interest rates in the face of these very same cost and inflationary numbers. Inflationary pressures mean different things to different investors. At Nuance, they have historically led to classic margin pressures for our businesses that buy raw materials for use in their products. According to our research, these pressures can typically persist for 6-24 months before the pressures either abate or revert, or the inflationary pressures are passed through to customers in the form of pricing. During this margin compression period, we have observed significant investment opportunities created over time. We have some examples forthcoming.

Stock selection is always at the forefront of Nuance's approach and therefore is once again the focus of this 2022 outlook. As we look forward to 2022 and hope for continued incremental normalcy in our day-to-day lives, Nuance's bottoms-up investment work suggests a Nuance Approved List that trades at an approximate price-to-earnings (P/E) multiple of more than 33.0x (based on Nuance internal estimates and up from approximately 30.0x at December 31, 2020), which is the mid-cycle or normalized earnings for the companies we track and study and an internal estimate of valuation we have used since the inception of the firm. These valuation levels would be at peaks relative to the available history of our investment process. For context, the multiple has ranged from trough levels of approximately 10.0x price-to-earnings multiples (again, using our mid-cycle earnings estimates) during 2009 all the way up to the peak levels now actually above 33x that we are observing today. We continue to be keenly aware that that these broad valuation metrics should be reminding everyone of the downside risk in stocks, but alas that doesn't seem to be a focus.

Against this backdrop, we believe significant pockets of opportunity have been created by the aforementioned transitorily negative factors of Covid-19, inflationary cost pressures, and the habitually low interest rate levels. These three primary issues are leading us to focus our capital in the less cyclical parts of the market as we approach 2022. We will emphasize three areas of opportunity we are seeing: the Health Care sector, the Consumers Staple sector, and the Insurance industry within the Financials sector. We will take these one at a time.

- In 2021, the market disagreed with us that the Health Care sector was attractive. For 2022, the outlook is even better, in our opinion, as we compare our Health Care stocks' risk rewards to the market set of opportunities. Health Care continues to be a classic Nuance process opportunity group for 2022 as the traits being displayed, such as sustainable competitive advantages, above-average returns on capital through market cycles, and solid balance sheets, fit our core Nuance investment process at a high level. However, we believe transitory factors are causing this advantaged group of businesses to under-earn their mid-cycle or normal level of earnings, which we believe is leading the market to underestimate the long-term positive traits and value of these businesses. Covid-19 has been the key source of under-earnings since early to mid-2020 as care providers have dealt with procedure limitations, staffing shortages, and other uncommon disruptions, which has masked the underlying strength and long-term attractiveness of much of the Health Care space, in our view. Aging demographics, a less cyclical sector generally, and a technology-oriented set of barriers for many of the companies sets this group apart from the market over time. Combine that with the near-term transitory issues and we feel very comfortable with our overweight heading into the new year. Today, we are near a maximum overweight position given the quality of the companies we own, the under-earnings for transitory reasons, and the attractive valuations. Baxter International (BAX), Smith & Nephew PLC Sponsored (SNN), a new name in Zimmer Biomet Holdings, Inc. (ZBH), and Universal Health Services, Inc. (UHS) are all examples of compelling risk reward opportunities in today's market, in our view.
- We also believe the Consumer Staples sector, another non-cyclical space (a broader theme actually), has become incrementally more attractive as an underperforming 2021 generally enhanced the risk rewards for some of our favorite stocks, in our opinion, and our weighting in the sector is near maximum levels. The companies that comprise this sector have broadly faced numerous headwinds in 2021 including higher labor and transportation costs, rising raw material costs, and difficult comparisons coming off the pandemic-oriented buying binge that occurred for many household goods in 2020. Key raw materials within this sector for both products themselves as well as packaging needs include pulp, which is made from timber and has been buoyed by above trend housing demand for lumber, resin, which is a hydrocarbon derivative, as well as various chemicals. The price of these commodities has been increasing rapidly and has created a near-term transitory headwind across most of the companies that comprise the sector's cost of goods sold, in our view. As one example, Kimberly-Clark Corporation's (KMB) 3rd quarter 2021 regulatory filings suggested that cost of goods sold for the nine-month period ending September 30, 2021 increased by almost 10 percent while its revenues were up low single digits, creating significant margin pressure. Historically, and much like in previous cycles where a commodity inflation occurs, the price increases lag the commodity increases and we believe it will likely take 6 to 24 months for pricing to catch up with costs and margins to normalize higher. A recent example within the Consumer Staples sector where this transitory period existed was between 2006 and 2008, which was another period where commodity prices went up significantly and temporarily impacted returns on capital for many companies in the space resulting in lower short-term earnings, lower valuations, and a risk reward opportunity for our clients and team.
- Finally, we continue to be overweight the Insurance industry within the Financials sector. Financials are a large and expansive sector with competitive challenges and technological disruption observed within many of its industries. The consumer finance space is an example of an area within Finance that we believe is fraught with competitive disruption and going forward competitive uncertainty that does not fit our Nuance process, yet that space did generally well in 2021. That said, within the sector are industries and companies with what we believe to be solid long-term competitive positions. We continue to see the Property & Casualty Insurance industry as a primary opportunity space, with leading businesses like Travelers Companies, Inc. (TRV) one of our largest holdings as of December 31, 2021. Improving fundamentals, improved pricing, and solid financial positions have resulted in the space rebounding, but not enough to outperform the broader market and the more speculative or competitively challenged spaces in the Financials sector, in our view. As such, we continue to emphasize the space.

Nuance Stocks

We will highlight three stocks heading into 2022. BAX, KMB, and BDRFY are each top 10 holdings and are names we have added to throughout 2021 as their risk rewards have improved to historically attractive levels versus the market set of opportunities, in our opinion. Baxter International Inc. (BAX): BAX is a leading manufacturer of kidney dialysis supplies and equipment along with IV fluids, pumps, nutritional compounds, pharmaceutical compounding supplies, pre-filled pharmaceutical bags, and certain surgical supplies. We believe the company is under-earning amid widespread declines in total hospital volumes due to Covid-19 mitigation efforts and elective surgery deferrals, a situation we view as transitory. They're also in the midst of an accretive acquisition of Hill-Rom Holdings, Inc. (HRC) which will bring in a leading position in hospital beds and patient monitoring equipment, products that we view as highly complementary to Baxter's IV pumps business. Prior to the HRC acquisition, we viewed Baxter as having normal earnings power of around \$4.00 per share, notable under-earning when compared to expectations of \$3.60 in earnings in 2021, primarily related to the above mentioned Covid-19 disruptions. However, the HRC acquisition, which closed in December with a total consideration of \$12.4B in an all-cash deal, is highly accretive to earnings, with our estimate of normal earnings power increasing to around \$5.30 after accounting for cost synergies that are highly likely to be realized, in our opinion. Baxter's typically strong balance sheet of ~1x net debt to earnings before interest, taxes, depreciation, amortization, and rent (EBITDAR) was stretched to ~4x on the deal, a level that we view as reasonable for a company with such a strong competitive position and stable return profile like BAX. We also like that the company has a clear plan and has committed to de-lever to under 3x leverage within 2 years. Today, the stock is trading at approximately 16-17x our estimate of normalized earnings and offers a compelling risk reward opportunity versus the broader set of our Nuance market opportunities (represented by our Nuance Master list of approved companies) which are trading at greater than 30x as a group.

Kimberly-Clark Corporation (KMB): KMB is a leading global manufacturer of a variety of staple household products, including diapers, wipes, feminine care products, adult incontinence products, and toilet paper. KMB's portfolio includes many notable brands our readers may recognize including Huggies®, Pull-ups®, Depends®, Cottonelle®, and Scott®. The Household Products sub-industry has long been a favorite sub-industry, given its stable demand profile, steady organic revenue growth rate, and limited risk of major technological disruption given the incumbents' scale, branding, and innovation. KMB has leading market shares in the geographies where it competes and is generally ranked #1 or #2 in its product categories according to our research. Additionally, over the last few economic cycles, KMB has exhibited a high level of return on capital consistency with predictable peaks and troughs, has maintained reasonable leverage on its S&P A-rated balance sheet, and has displayed rational capital allocation policies, including its current 60 percent dividend payout ratio, which on today's stock price yields over 3 percent. This combination of product leadership and consistency with regards to its returns on capital, balance sheet and capital allocation policies has led our team to conclude that KMB has a solid competitive position and is well positioned for the future. KMB is expected to earn around $6.25 per share in 2021 per Wall Street consensus estimates and we believe the company is under-earning its long-term potential. KMB has faced numerous headwinds in 2021 including higher labor and transportation costs. However, the largest issue facing KMB's reported earnings has been rising raw material costs, in our opinion. For KMB, key raw materials for its products and packaging include pulp, which is made from timber and has been buoyed by above trend housing demand for lumber, and to a lesser extent resin, which is a hydrocarbon derivative. The price of both commodities has been increasing rapidly and has created a near-term transitory headwind for KMB and its cost of goods sold. In fact, according to KMB's 3rd quarter 2021 regulatory filings, KMB's cost of goods sold for the nine-month period ending September 30, 2021 increased by almost 10 percent while its revenues were up low single digits, creating significant margin pressure. KMB has already implemented price increases to help offset these raw material costs increases. Yet, much like in previous cycles including the commodity inflation cycle that happened between 2006 and 2008, the price increases have lagged the commodity increases and the Investment Team believes it will likely take a year or two for pricing to catch up with costs and margins to normalize higher. If organic revenues were to continue to grow in the low single digits, commodity inflation was to stabilize lower, and KMB was able to pass along price increases similar to prior cycles, then we believe KMB's earnings per share could reset higher. As of December 31, 2021, our average cost in KMB was approximately $134 per share which equated to just over 17.5x the Investment Team's estimate of normalized earnings, a multiple that is below KMB's historical average and a multiple that is significantly more attractive than our Nuance proprietary long universe median multiple of more than 30.0x. If KMB's earnings per share were to reset higher and KMB's P/E multiple were to expand to levels in line with history, then meaningful absolute and relative upside could be generated, in our opinion. Additionally, we believe KMB's stable and well positioned balance sheet, when combined with its attractive dividend yield, should provide reasonable downside support for the stock in a market downturn. The combination of a company with an excellent competitive position in a desirable Household Products sub-industry, transitory under-earnings, and an inexpensive valuation is what the Investment Team looks for in an investment and explains why KMB was a top position in the Nuance Mid Cap Value Composite at the end of the fourth quarter of 2021.

Beiersdorf AG Unsponsored ADR (BDRFY): BDRFY is a market-share leader in tape-style adhesives and serves the electronics, automotive, paper/packaging, construction, and consumer end markets. The company is also a leader in consumer products such as deodorants, sun care products, body lotions, facial moisturizers, and anti-aging creams. We believe the company is under-earning as of this writing, primarily because of disruptions caused by the spread of Covid-19. The adhesives business had already started to weaken prior to the pandemic, but Covid-19-related government restrictions in much of the world shut down some manufacturing end markets for several months. Additionally, certain portions of the company's consumer products were negatively affected by Covid-19. Sunscreen saw much lower demand amid restrictions on travel or in some European and Asian countries, even leaving one's house. The company's ultra-premium skin care line (La Prairie®) experienced disruptions as consumers traded down to lower-priced items and as sales from travel-related end markets declined significantly. The skin care market in general has been relatively weak, as consumers have focused more on personal care items during stay-at-home orders. In addition, the company's balance sheet is much stronger than its peers, in our view, with a large net cash position compared to most of its peers, which carry approximately 2x net debt to EBITDAR. We believe this affords the company ample financial flexibility to take advantage of merger and acquisition opportunities, possibly raise its dividend, and/or engage in other capital allocation positive activities. Lastly, but not to be ignored, we think the company may have a possible structural shift in its margins in the near term, as its EBITDAR margins have been below peers for quite some time. Overall, we believe BDRFY is likely to experience a significant period of underearning as we expect it to earn approximately $0.70 per share in 2021, well below our estimate of $1.15-$1.20 in normalized earnings per share (mid-cycle). At a stock price as of today's writing at approximately $20.50, the result is a price-to-normalized-earnings multiple of approximately 17.0-18.0x, which is significantly more attractive than other market opportunities, in our opinion.

As always, we continue to optimize your risk reward using our time-tested Nuance process. This Nuance process places a significant emphasis on determining if a company has leading and sustainable market share positions across the vast majority of its businesses, can deliver above-average returns on capital versus peers over a business cycle, and has a strong financial position versus its peers over time as well. Once we have studied and understood those characteristics, we prepare our own proprietary financial statements for each business, attempting to normalize the financial statements of our potential investment to a state of normalcy or to what we think of as a mid-business cycle state. With those financial statements created, we then study historical valuation data to ascertain a fair value and downside value for each of the leading businesses that we believe have the traits of a successful investment. At that stage, we typically invest in the companies on our Nuance Approved List that, in our opinion, have significantly better risk rewards than the market set of opportunities. This overall process is designed to buy clients better-than-average companies, but only when we believe they have both less downside risk and more upside potential than the market set of opportunities.

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) | 3 Year Annualized Standard Deviation (MIDV Index) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YTD 2008 (11/03/08-12/31/08) | (4.13) | (4.13) | (5.60) | (3.99) | N/A | 1 | $9,531,045 | $18,657,997 | 0.0% | - | - | - |
| 2009 | 38.69 | 38.20 | 34.21 | 33.73 | - | 4 | $50,600,141 | $137,943,058 | 1.1% | - | - | - |
| 2010 | 21.08 | 20.01 | 24.75 | 22.78 | 0.1 | 4 | $60,702,099 | $181,201,036 | 1.1% | - | - | - |
| 2011 | 4.04 | 3.38 | (1.38) | (2.43) | 0.1 | 4 | $55,186,800 | $152,976,943 | 0.9% | 18.2 | 23.1 | 23.2 |
| 2012 | 22.02 | 20.61 | 18.51 | 18.53 | 0.1 | 4 | $58,463,905 | $214,936,666 | 1.0% | 14.6 | 17.0 | 18.4 |
| 2013 | 35.45 | 34.24 | 33.46 | 34.25 | 0.1 | 8 | $80,358,264 | $507,569,897 | 1.0% | 13.1 | 13.9 | 15.6 |
| 2014 | 9.79 | 9.14 | 14.75 | 12.10 | 0.1 | 13 | $130,238,086 | $1,071,186,382 | 0.7% | 10.7 | 9.9 | 11.4 |
| 2015 | 2.95 | 2.33 | (4.78) | (6.65) | 0.1 | 17 | $145,638,450 | $913,545,839 | 0.6% | 11.2 | 10.9 | 12.4 |
| 2016 | 21.87 | 21.05 | 20.00 | 26.53 | 0.1 | 22 | $416,346,621 | $1,466,221,847 | 0.1% | 11.5 | 11.5 | 13.6 |
| 2017 | 16.18 | 15.42 | 13.34 | 12.32 | 0.0 | 23 | $586,931,538 | $1,784,338,191 | 0.0% | 10.5 | 10.5 | 12.4 |
| 2018 | (4.18) | (4.88) | (12.29) | (11.88) | 0.2 | 21 | $852,510,018 | $1,724,795,756 | 0.0% | 10.2 | 12.1 | 14.1 |
| 2019 | 32.52 | 31.62 | 27.06 | 26.08 | 0.2 | 43 | $2,297,275,123 | $3,486,104,071 | 0.0% | 9.4 | 13.0 | 15.8 |
| 2020 | 5.49 | 4.76 | 4.96 | 3.73 | 0.3 | 59 | $4,585,719,214 | $5,948,860,811 | 0.0% | 14.5 | 22.9 | 26.2 |
| YTD 2021 As of: 12/31/2021 | 12.28 | 11.51 | 28.34 | 30.65 | 0.2 | 59 | $5,353,939,144 | $6,660,123,316 | 0.0% | 14.1 | 22.3 | 25.4 |

### 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 – 3/31/21 by Absolute Performance Verification. The verification reports are available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Nuance is an investment adviser registered with the Securities and Exchange Commission. The firm maintains a complete list and description of composites and broad distribution pooled funds which are 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 performance returns are presented after actual standard management fees, performance-based management fees and all trading expenses that may occur. No other fees are deducted aside from trading and management fees for the calculation of net of fee performance. 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. Nuance updated its index performance source from Bloomberg to FactSet effective 12/31/2020. Historical index returns have been amended to reflect FactSet source information.

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 a Significant Security & Cash Flow Policy since inception of the composite. An account will be removed from a composite if a client has given specific instructions that prevent full investment of securities or cash flow(s) in a timely manner (defined as 5 business days or greater), or if a single security or cash flow is equal or greater than 10 percent of the total account value based on the beginning of the month market value.

Our Core offerings are the Nuance Mid Cap Value Strategy, the Nuance Concentrated Value Strategy and the Nuance Concentrated Value Long-Short Strategy. For more information regarding Composite list and descriptions and policies for valuing investments, calculating performance, and preparing GIPS® reports, or to obtain a report, please contact 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 creation and inception date for the Composite is 11/03/08. 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 are the S&P MidCap 400® TR Value Index and S&P 500® TR Index. The S&P MidCap 400® TR 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® TR 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 Clearwater Analytics. Return calculations for all indices are provided by FactSet. 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 returns are presented after actual standard management fees, performance-based management fees, and all trading expenses that may occur. No other fees are deducted aside from trading and management fees for the calculation of net of fee performance.

(1)The Nuance Mid Cap Value Composite is a mid-capitalization value investment product and consists of separately managed accounts in the Nuance Mid Cap Value strategy. Over the product life, the Nuance Mid Cap Value Separate Account Product has been classified by Morningstar in the following categories: Mid-Cap Value. Lipper does not provide product level classifications. Rankings and peer group comparisons are created internally using data from FactSet. For comparison purposes, subsets of the Morningstar Mid-Cap Value Funds Peer Group and the Lipper Mid-Cap Value Funds Peer Group have been presented as investment strategies with a similar investment style to 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 FactSet based upon strategies with monthly return data from December 2008 to present. FactSet reports on month end returns only. Additional Information: Portfolio composition will vary over time and may change without notice. Current investment style and assigned peer groups may differ from the styles presented. The Nuance Mid Cap Value Composite is compared to various fund peer groups as defined by investment style and is constructed in a manner that is substantially similar to the guidelines and classifications of the Morningstar and Lipper fund peer groups to which it is compared, however, fund peer groups may differ from similarly constructed product composite groups. Morningstar Categories are based on the average holdings statistics over the past three years and are applied to both funds and separate accounts. Morningstar Style Box Methodology is based on growth versus value scores using historical measures of various portfolio components and weights. A complete description of Morningstar's Category classifications and Style Box Methodology can be found at https://www.morningstar.com/research/signature. Lipper's Fund Classifications have a prospectus-based methodology with diversified funds having an additional portfolio-based classification and are applied to open-ended funds but not to separate accounts or product composites. A complete description of Lipper's fund classification methodology can be found at https://lipperalpha.refinitiv.com. The number of peers (i.e., the ranking) includes only those Category Peers with similar return timeframes to the Nuance Mid Cap Value Composite. 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 FactSet. The following characteristics are calculated using FactSet data: Weighted Average Market Cap, 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), P/E (price of a company's stock relative to its earnings per share). Characteristics for P/E, DY, ROE & ROA use an index aggregation calculation methodology (the index method sums the weighted portfolio value of the numerator and the denominator first, then divides those sums to determine the portfolio and benchmark values). Characteristics calculations use holdings at market close on the stated date, including cash & cash equivalents. The P/E excluding negative earners omits companies with negative earnings from the calculation to provide readers with an additional tool during periods of extreme volatility. Active share, as calculated by FactSet, is a statistic that measures a strategy's holdings relative to the holdings of the appropriate benchmark. 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 and results are gross of fees for the period since inception through the stated date. Upside/downside ratios are calculated using FactSet.

The Price to Earnings ratio measures the price of a company's stock in relation to its earnings per share. The Nuance price to earnings multiple is the median price to normalized earnings ratio across the Nuance approved list and is a proprietary calculation. As of 12/31/2021 portfolio weights of names discussed are as follows: BAX (4.7%), BDRFY (4.9%), CB (2.0%), EQC (5.0%), HRC (0.0%), KMB (4.2%), NOC (1.3%), RE (3.5%), SAFM (3.5%), SJW (3.0%), SNN (4.5%), TRV (5.4%), UHS (3.0%), UMBF (0.8%), VLY (0.8%), XRAY (1.0%), and ZBH (3.5%). The information presented related to the Nuance investment decision and selection process is intended to be informational in nature, speak to our process and does not represent a recommendation in any specific security or securities. Information not specific to a cited source constitutes the opinion of the Nuance investment team and should not be relied upon to make investment decisions. Investors should be aware of the risks associated with data sources including without limitation, fundamental, technical, qualitative and quantitative factors used in our investment process. Errors may exist in data acquired from third party vendors, the development of investment ideas, the analysis of data and the portfolio construction process. While Nuance takes steps to verify information so as to minimize the potential impact of potential errors, we cannot guarantee that errors will not occur.

Portfolio holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security. As of 12/31/2021 portfolio weights of top and bottom attributors are as follows:

Top Attributors (Portfolio Weight): SAFM (3.5%), MET (0.2%), VLY (0.8%), NOC (1.3%), UMBF (0.8%)

Bottom Attributors (Portfolio Weight): BDRFY (4.9%), SNN (4.5%), EQC (5.0%), BDXB (3.5%), CALM (2.8%)

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.