

Nuance Concentrated Value Long-Short Fund



Second Quarter 2022

Investment Objective

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

Portfolio Constraints

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

Fund Details

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

Process Overview

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

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

Portfolio Managers



Chad Bauml, 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

Performance as of June 30, 2022

| As of 6/30/2022 Inception Date 12/31/15 | Since Inception Return | 5 Year | 3 Year | 1 Year | YTD 2022 | QTD | Gross Expense Ratio | Net Expense Ratio |
|---|---------------------------|-----------|-----------|-----------|-------------|--------|---------------------------|-------------------------|
| Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional | 3.94 | 2.13 | 1.71 | -1.17 | 11.96 | 5.42 | 3.45% | 3.43% |
| Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor | 3.65 | 1.87 | 1.43 | -1.48 | 11.84 | 5.31 | 3.70% | 3.68% |
| S&P 500® Index | 12.03 | 11.31 | 10.60 | -10.62 | -19.96 | -16.10 | | |
| Morningstar Long/Short Equity | 3.70 | 3.52 | 3.69 | -6.79 | -9.69 | -7.14 | | |

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-682-6233. The Fund has contractually agreed to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (Excluding acquired fund fees and expenses, leverage, interest, dividend and interest expense on short sales, taxes, brokerage commissions, and extraordinary expenses) do not exceed **1.55%** of the average daily net assets of the Investor Class and **1.30%** of the average daily net assets of the Institutional Class through at least 8/28/2022. Net expense ratios are as-of the Fund's most recent prospectus and are applicable to investors. Returns for periods greater than a year have been annualized.

General Market Commentary

| | 9/30/20 | 12/31/20 | 3/31/21 | 6/30/21 | 9/30/21 | 12/31/21 | 3/31/22 | 6/30/22 |
|----------------|---------|----------|---------|---------|---------|----------|---------|---------|
| Cash | 14.3% | 14.2% | 16.0% | 15.5% | 16.6% | 13.6% | 16.2% | 9.8% |
| Long Equities | 85.7% | 85.8% | 84.0% | 84.5% | 83.4% | 86.4% | 83.8% | 90.2% |
| Short Equities | 98.7% | 98.9% | 98.6% | 99.4% | 93.7% | 98.5% | 93.0% | 75.1% |
| Gross Exposure | 184.4% | 184.8% | 182.6% | 183.9% | 177.1% | 184.9% | 176.8% | 165.3% |
| Net Exposure | -13.0% | -13.1% | -14.6% | -14.9% | -10.3% | -12.1% | -9.2% | 15.1% |

The Investment Team believed the opportunity set was robust for both sides of the Fund's investment portfolio at the end of the second quarter of 2022. As of June 30, 2022, the median company in the Nuance proprietary long universe, which consists of companies we view as sub-industry leaders, was trading at around a 20 percent premium to what we would consider fair value. Said another way, our long universe appeared to be overvalued by roughly 20 percent on average based on our internal estimates. From a downside perspective, according to our company-by-company valuation work, the same universe had more than 60 percent downside potential. This implies that if our list of leading companies were all to trade down to their historic trough valuation multiples, the average stock in our long universe could decline by more than 60 percent. Notably, over the last few quarters there have been a variety of what we believe to be one-off, transitory issues that have occurred for several companies in our Nuance proprietary long universe, which when combined with the general market pullback have created some very interesting long investment opportunities, in our opinion.

As shown in the table above, the portfolio ended the second quarter with a net +15.1 percent long equity exposure. On the long side of the portfolio, the Investment Team believed the variety of transitory issues over the last few quarters referenced above along with the general market pullback, has provided us with an attractive set of long equity investment ideas with interesting risk rewards as of June 30, 2022. Sub-industries that we believed appeared attractive included Household Products, Health Care Equipment, Health Care Supplies, and Personal Products. On the short side of the portfolio, the Investment Team believed that overvaluation remained widespread and that short investment opportunities were abundant and could be found in most sub-industries of the economy including Automotive Retail, Environmental & Facilities Services, Railroads, and General Merchandise Stores.

Featured Investment¹

Long Baxter International Inc. (BAX): BAX is a leading manufacturer of IV fluids, pumps, nutritional compounds, pharmaceutical compounding supplies, pre-filled pharmaceutical bags, and kidney dialysis supplies and equipment. Following its recent accretive acquisition of Hill-Rom Holdings, Inc. (HRC), BAX now also holds leading positions in patient monitoring equipment and high-end hospital beds, according to our research. The Health Care Equipment GICS® sub-industry has been an area of the economy the Investment Team has historically viewed favorably given the critical nature of its products, the high regulatory barriers to entry, its oligopolistic market structure, and the very steady market share positions of its leaders. BAX is no exception with its #1 or #2 market share ranks within the various product categories that make up the Fluid & Drug Delivery market. When you combine BAX's attractive and steady market share history with its strong investment grade balance sheet, the Investment Team believes BAX's overall competitive position is solid and that BAX is well positioned to maintain or gain share of the anticipated growth in overall global healthcare spending in the coming years.

BAX is expected to earn around \$4.15 per share this year per Wall Street consensus estimates, and the Investment Team believes that the company is under-earning its long-term potential for two primary reasons. The first source of under-earnings is related to the lower-than-normal elective medical procedures that are currently being performed around the world. After an unprecedented drop in elective procedures in 2020 and 2021 due to Covid-19-induced facility closures and patient deferrals, elective procedure volume has started its recovery but still sits nearly 5 percent below normal according to our internal estimates. Lower-than-normal volumes have led to lower-than-normal revenues and earnings, a situation that we view as transitory with a high probability of full recovery within the next year or two. The second source of under-earnings is related to BAX's acquisition of HRC. The HRC acquisition, which closed in December 2021 with a total consideration of \$12.4 billion in an all-cash deal, is highly accretive for BAX after accounting for an expected \$200 million of cost synergies, in our view. These synergies have a very high likelihood of being realized, in our opinion, due to the similar customer base and geographical distribution networks of legacy BAX and HRC. If either or both sources of under-earnings were to normalize, then we believe earnings per share could move higher.

As of June 30, 2022, BAX was trading at \$64.23 per share which equated to around 12.0 times the Investment Team's estimate of normalized earnings. This level of multiple is well below BAX's 30-year average price-to-earnings multiple of more than 20.0 times. It is also well below our Nuance proprietary long universe median price-to-earnings multiple, which today sits at around 25.0 times. If BAX's earnings per share were to reset higher to levels we consider normal due to the reasons discussed above, and its price-to-earnings multiple was to expand to its long-term average, then meaningful absolute and relative upside could be generated by investing in BAX's shares as of June 30, 2022, in our opinion. The combination of a company with a compelling competitive position including a solid and stable market share, transitory under-earnings that could recover in the next year or two, and an inexpensive absolute and relative valuation is what the Investment Team looks for in a long investment and explains why BAX was a top long position in the Fund's investment portfolio at the end of the second quarter of 2022.

¹The securities identified and described do not represent all of the securities purchased, sold, or recommended for the portfolio. The reader should not assume that investments in the securities identified were or will be profitable.

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

Mutual fund investing involves risk. Principal loss is possible. Investments in small and mid-capitalization companies involve additional risk such as limited liquidity and greater volatility than larger capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Short sale of securities involves unlimited risk including the possibility that losses may exceed the original amount invested. However, a mutual fund investor's risk is limited to one's amount of investment in a mutual fund.

The Primary Benchmark for the Fund is the S&P 500® TR Index. 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 Fund may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Return calculations for the Fund are provided by US Bank. Returns for periods greater than a year have been annualized.

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

Basis Point = one hundredth of one percent.

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

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

Portfolio holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security. As of 6/30/2022 portfolio weights of names discussed are as follows: Baxter International Inc. (BAX) 6.9%.

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.

Diversification does not assure a profit or protection against a loss in a declining market.

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

Past Performance is not a guarantee of future results.

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

GIPS® 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 – 3/31/22 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.

Definition of the Firm

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