Nuance Mid Cap Value Composite Perspectives

December 31, 2022

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

Left to right: Jack Meurer, Darren Schryer, Scott Moore, & Chad Baumler

Name	Title	Experience
Scott Moore, CFA	President & Co-CIO	32 years
Chad Baumler, CFA	Vice President & Co-CIO	16 years
Darren Schryer, CFA, CPA	Portfolio Manager	7 years
Jack Meurer, CFA	Assoc. Portfolio Manager	6 years

Peer Statistics[1]

1ST Percentile Sharpe Ratio

Lipper
Peers: Mid-Cap Value
Ranking vs. Peers: 1 of 79
Internally derived using Lipper Peers

Morningstar
Peers: Mid-Cap Value
Ranking vs. Peers: 1 of 275
Internally derived using Morningstar Peers

Longer Term Performance Update (through December 31, 2022)

Since Inception Return: The return since inception (on 11/03/2008 through 12/31/2022) is 13.21 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 11.77 percent, the S&P MidCap 400® Value Index up 12.19 percent, and the S&P 500® Index up 12.48 percent. We are pleased with this level of outperformance over time.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 12/31/2022 is 0.92 (net of fees) versus the Russell Midcap® Value Index at 0.62, the S&P MidCap 400® Value Index at 0.60, and the S&P 500® Index at 0.77.

Peer Group Returns through 12/31/2022: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 18 out of 275 peer group members (7th percentile) in the Morningstar Mid-Cap Value Funds universe and 4 out of 79 (4th percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Risk-Adjusted Return through 12/31/2022: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 1 out of 275 peer group members (1st percentile) in the Morningstar Mid-Cap Value Funds universe and 1 out of 79 (1st percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Returns 11/30/2008 - 12/31/2022	Since Inception APR[1]	Standard Deviation (A)[1]	Sharpe Ratio (A)[1]
Nuance Mid Cap Value Composite (Gross)	14.58	13.61	1.03
Nuance Mid Cap Value Composite (Net)	13.77	13.63	0.97
Morningstar† Mid-Cap Value Funds Peer Group (Median)	12.06	18.04	0.62
Peer Group Percentile and Ranking	7th (18 of 275)	1st (2 of 275)	1st (1 of 275)
Lipper† Mid-Cap Value Funds Peer Group (Median)	11.91	18.52	0.60
Peer Group Percentile and Ranking	4th (4 of 79)	1st (1 of 79)	1st (1 of 79)

†Peer groups derived internally using data from FactSet.

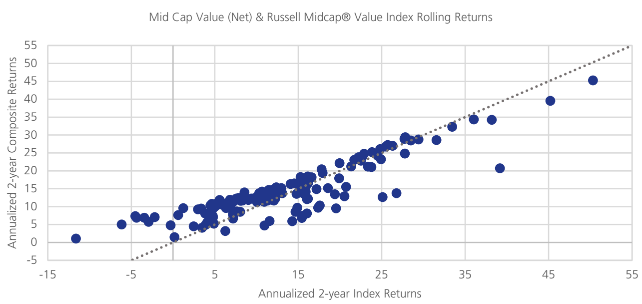
Performance 11/03/2008 - 12/31/2022	APR*	TR*	Standard Deviation*	Sharpe Ratio*	10 Year	7 Year	5 Year	3 Year	1 Year	YTD 2022
Nuance Mid Cap Value Composite (Gross)	14.01	540.83	13.69	0.98	12.10	10.77	7.66	4.43	(3.82)	(3.82)
Nuance Mid Cap Value Composite (Net)	13.21	480.21	13.71	0.92	11.33	10.02	6.91	3.72	(4.48)	(4.48)
Russell Midcap® Value Index	11.77	383.82	18.06	0.62	10.10	8.72	5.72	5.82	(12.03)	(12.03)
S&P 400 Midcap® Value Index	12.19	410.09	19.40	0.60	10.83	10.33	6.98	8.04	(6.93)	(6.93)
S&P 500® Index	12.48	429.35	15.50	0.77	12.56	11.47	9.42	7.65	(18.11)	(18.11)

*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 have been presented as investment strategies with a similar investment style to the Nuance Mid Cap Value Composite. The peer groups consist of mutual funds within the stated category with performance history available from the Nuance Mid Cap Value inception date. 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 the displayed date. 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 12/31/2022	
11/30/2008 - 12/31/2022	Periods Beating the Index		Composite (%) Annualized Net of Fees	Russell Midcap® Value Index (%)
Nuance Mid Cap Value Composite	102/146	69.9%	3.21	6.25



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, 2022, the Nuance Mid Cap Value Composite two-year rolling return is 3.21 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 6.25 percent, the S&P MidCap 400® Value Index up 10.27 percent, and the S&P 500® Index up 2.66 percent. Overall, we have outperformed in 102 out of the available 146 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 (4.48) percent (net of fees) versus the Russell Midcap® Value Index down (12.03) percent, the S&P MidCap 400® Value Index down (6.93) percent, and the S&P 500® Index down (18.11) percent.

Calendar Year Performance as of 12/31/2022	11/03/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD 2022
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	(3.82)
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	(4.48)
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	(12.03)
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	(6.93)
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	(18.11)

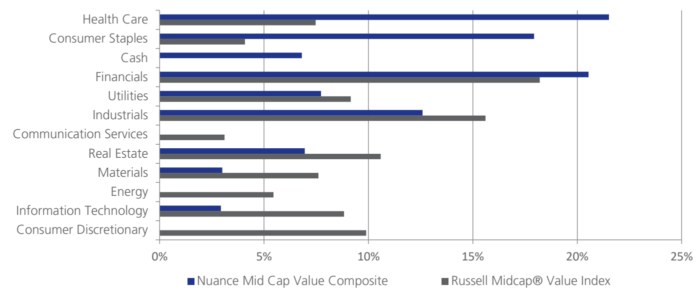
Composition of the Portfolio as of 12/31/2022

Portfolio Characteristics[2]	Nuance Mid Cap Value Composite	Russell Midcap® Value Index
Weighted Average Market Cap	22.9b	20.0b
Median Market Cap	11.6b	8.9b
Price to Earnings (internal and ttm)*	13.9x	15.7x
Price to Earnings (ex-neg earnings)	-	13.0x
Dividend Yield	2.5%	2.0%
Return on Equity	10.4%	14.1%
Return on Assets	2.5%	2.8%
Active Share vs Russell Midcap® Value Index	97%	-
Upside/Downside Capture Ratio vs Russell Midcap® Value Index	83% / 72%	-
Number of Securities	55	699

* Based on Nuance internal estimates and benchmarked against the above noted 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 adjacent table, you can see that the portfolio has a Price to Earnings ratio of 13.9x versus the Russell Midcap® Value Index of 15.7x. We are achieving this ratio with a portfolio of companies that have a return on assets of 2.5 percent versus the Russell Midcap® Value Index of 2.8 percent. This quarter's ROA is slightly below the index, primarily due to positions within the Financials sector. 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 12/31/2022



The portfolio was mostly unchanged during the quarter from a sector exposure standpoint. The largest overweight positions, relative to the benchmark, remain the Health Care and Consumer Staples sectors. Within the Health Care sector, our overweight is primarily in the Health Care Equipment & Supplies industry as we wait patiently for elective procedures to normalize following this prolonged disruption. We believe these companies are manufacturing critical, advanced medical products and display the traits we look for in competitively advantaged businesses. They sell into end markets that have been severely disrupted for more than two years as patient visits and procedures of all kinds have run well below normal due to the impacts of Covid-19, including high cancellation rates, procedure delays, and insufficient care provider staffing to meet demand. We believe the magnitude and duration of this disruption has created a large backlog of procedures that will need to be made up over the next 1-2 years. More recently, raw material availability and input cost inflation in items including resins and metals have also squeezed margins at these companies. Offsetting price actions can take 1-2 years to implement in this industry, which is prolonging the period of under-earning, in our opinion. Nevertheless, this remains a high conviction, under-earning group of excellent businesses, in our view. We are also seeing the impact of inflation in select Consumer Staples companies where we continue to see opportunities primarily in the Household Products industry. Our view is 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. While the Financials sector continues to be a slight overweight position, we did lower our exposure during the quarter. Our overweight in the Financials sector continues to be made up primarily by stocks in the Insurance industry; however, we do have exposure to both the Banks and Capital Markets industries. While we remain underweight the Industrials sector, we did add to our weight during the quarter as select leaders have started to look modestly attractive, in our view. We also remain underweight the Information Technology sector but were able to add to our exposure during the quarter. We maintain positions in the Utilities and Real Estate sectors but are slightly underweight relative to the benchmark. 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, and Materials 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, 2022, the Nuance Mid Cap Value Composite was down (4.48) percent (net of fees) compared to the Russell Midcap® Value Index, which was down (12.03) percent, the S&P Mid Cap 400® Value Index, which was down (6.93) percent, and the S&P 500® Index, which was down (18.11) 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, 2022), the Nuance Mid Cap Value Composite was up 13.21 percent (annualized and net of fees) compared to the Russell Midcap® Value Index, which was up 11.77 percent, the S&P Mid Cap 400® Value Index, which was up 12.19 percent, and the S&P 500® Index, which was up 12.48 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 oftentimes very 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 11 out of 15 years (including our stub year of 2008) and 10 out of 14 (not including the 2008 stub year). For the calendar year of 2022, the Nuance Mid Cap Value Composite was down (4.48) percent (net of fees) versus our primary benchmark, the Russell Midcap® Value Index, which was down (12.03) percent.

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, 2022, we have accomplished this goal, given that the Nuance Mid Cap Value Composite rose 13.21 percent (annualized and net of fees) between its inception on November 3, 2008 through December 31, 2022 compared to the Russell Midcap® Value Index, which rose 11.77 percent. Further, during the same period, the Nuance Mid Cap Value Composite had a standard deviation of 13.71 percent (annualized and net of fees), meaningfully lower than the 18.06 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).

Exhibit 1[1]

Peer Group Returns 11/30/2008 - 12/31/2022	Since Inception APR[1]	Standard Deviation (A)[1]	Sharpe Ratio (A)[1]
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†Peer groups derived internally using data from FactSet.

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, 2022, the Nuance Mid Cap Value Composite was up 13.21 percent (annualized and net of fees) versus the S&P Mid Cap 400® Value Index, which was up 12.19 percent, and the S&P 500® Index, which was up 12.48 percent. Further, the Nuance Mid Cap Value Composite had a standard deviation of 13.71 percent (annualized and net of fees) during the same time period, which is lower than the 19.40 percent standard deviation of the S&P Mid Cap 400® Value Index and the 15.50 percent standard deviation of the S&P 500® Index. Accordingly, we believe our risk-adjusted returns are on track.

YTD Attribution[2]

1. Our stock selection in the Financials sector was a significant positive contributor to performance as our investments in the Property & Casualty Insurance sub-industry, such as Travelers Companies, Inc. (TRV), and Reinsurance sub-industry, such as Alleghany Corporation (Y), outperformed in the period.

2. Our underweight of the Energy sector was a detractor from performance as geopolitical instability exacerbated a cyclical rebound in commodity prices and Energy was the best performing sector in the period.

3. Our large overweight to, and positioning within, the Consumer Staples sector was a positive contributor to performance as the sector outperformed in the period, and our investments in outperformers Cal-Maine Foods, Inc. (CALM) and Beiersdorf AG (BDRFY) more than offset positions in underperformers such as Calavo Growers, Inc. (CVGW).

4. Our stock selection in the Health Care sector was a detractor from performance as our investments in Baxter International Inc. (BAX), Dentsply Sirona, Inc. (XRAY), and ICU Medical, Inc. (ICUI) underperformed in the period.

5. Our stock selection within the Real Estate sector was a positive contributor to performance as our largest Real Estate holding, Equity Commonwealth (EQC), executed on an accretive stock repurchase plan at a discount to our estimate of fair value and was flat in the period, more than offsetting modest underperformance by Healthcare Realty Trust Incorporated (HR) and Cousins Properties Incorporated (CUZ).

6. Our stock selection within the Materials sector was a positive contributor to performance as our largest Materials holding, GCP Applied Technologies, Inc. (GCP) was up marginally, outperforming the benchmark.

7. Our underweight positioning in several sectors including Information Technology, Consumer Discretionary and Communication Services contributed to performance as those sectors underperformed in the period.

8. Our positioning in the Utilities and Industrials sectors was a small contributor to performance.

9. Our average cash weighting of approximately 7 percent contributed to performance as the benchmark was down in the period.

Nuance Perspectives[2]

2022 Year in Review

2022 was a successful year for us here at Nuance, and we are pleased to have outperformed our primary and secondary benchmarks. The Nuance Mid Cap Value Composite was down (4.48) percent (net of fees) compared to the Russell Midcap® Value Index, which was down (12.03) percent, the S&P Mid Cap 400® Value Index, which was down (6.93) percent, and the S&P 500® Index, which was down (18.11) percent.

In many ways, 2022 felt like a sea change regarding the critical issues of recent years. Covid-19 has faded from the forefront as testing, vaccines, and antivirals are now widely available. Severity and mortality are near their lows since the start of the pandemic and even the staunchest hardliners have changed their approach with China ending their "zero-Covid" policies. Supply chain issues that were pervasive towards the end of 2021 and early in 2022 are now more idiosyncratic in nature (you will hear more about some related one-off opportunities in our 2023 outlook). After years of extremely accommodative fiscal and

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monetary policy, inflation manifested and left many market participants questioning whether those accommodative policies were ever wise to begin with. Central banks have raised interest rates in response, and investors once again appear to be paying at least some attention to balance sheet strength and cost of capital, after seemingly ignoring those risks for much of 2021, which we have written about over the last several years.

In terms of positioning, the Insurance industry within the Financials sector was a major contributor to 2022 performance. We have been discussing under-earnings due to interest rates and observed catastrophic events for several years, and in 2021 and 2022, those issues abated as negatives and resulted in better stock performance. In 2022 we achieved significant outperformance and we took advantage of this outperformance by reducing our position in the Insurance industry materially over the course of the year. Within Consumer Staples, opportunities remained plentiful, and we rotated out of certain outperforming Food Products companies such as Cal-Maine Foods, Inc. (CALM) into under-performing leaders primarily in the Household Products and Personal Products industries as part of our ongoing portfolio risk reward optimization process.

Within Health Care, persistent under-earnings primarily related to component availability, input cost inflation, and a slower cycle of offsetting price increases caused it to be a primary detractor to 2022 performance. However, it remains a top idea and similar to Consumer Staples, we retained our overweight to the Health Care sector. Our investments include Dentsply Sirona, Inc. (XRAY), ICU Medical, Inc. (ICUI), and Smith & Nephew PLC (SNN), among others.

Our underweight in the Energy sector was once again a headwind to performance as the Energy sector was up more than 50 percent in 2022, on the heels of being the top performing sector in 2021, with a gain of over 50 percent as well. We continue to believe the Energy sector is facing the long-term prospect of market share losses due to new technologies and ultimately declining demand. In our experience, investing in a commodity business into shrinking demand is rarely a good idea and certainly not a fit for our process that emphasizes leaders, market share gainers, and better certainty of competitive positioning into the future. The notion of a cyclical rebound in commodity prices within this secular competitive transition, while a headwind for short-term performance, is not surprising to us, and we believe has been exacerbated in this case by the war in Ukraine.

2023 Outlook

At Nuance, our process is, and always will be, focused on identifying leading business franchises with stronger competitive positions and better sustainability of those competitive positions than most. We aim to buy these leaders when they are under-earning our view of normal earnings power for a transitory reason. We target companies with strong balance sheets and rational capital allocation. Our portfolio positioning is a result of that individual company-by-company work, but there are some commonalities to be drawn between sources of under-earning and under-valued opportunities across certain sectors or industries.

We continue to see what we believe to be significant opportunities within the Health Care sector, primarily in the Health Care Equipment & Supplies industry. We've written about this opportunity at length over the last three years and it has been a long road back towards our view of normal earnings power for many of the businesses that we have been invested in. The first leg of under-earning from procedure cancellations during the initial Covid-19 wave in 2020 transitioned to procedures of all kinds remaining stubbornly below normal for most of 2021 and 2022 due to ensuing variants, localized hotspots, and high cancelation rates as pre-surgical Covid-19 screening caused many doctors, nurses, and patients to test out of planned procedures. It varies by geography and procedure type, but we continue to believe there is a large backlog of deferred care from years of low volumes that should sustain demand in 2023 and potentially beyond. Most recently, input cost inflation in things like resins, metals, freight, and electronic components has been a major margin headwind, in our opinion. Across most of the industry, the nature of contracted business means that it can take as much as 3 years to fully reprice at new rates that contemplate the magnitude of input cost inflation, according to our research. We believe more of those offsetting price increases will be realized in 2023, and any alleviation of the high input costs (which we are now seeing some of in the latter portion of 2022) would cause these businesses to return towards our view of normal earning power. The companies we target in the Health Care Equipment & Supplies industry generally operate in oligopolistic markets with very high barriers to entry, quality standards, and innovation, in our view. We believe these are characteristics that make the space consistent with our Nuance investment process.

Within Consumer Staples, we are pleased for the sector to have contributed significantly to performance in 2022. This outperformance allowed us to rotate out of several stocks that were up absolute in a down year, such as Cal-Maine Foods, Inc. (CALM), and into under-performers while still maintaining a large overweight position. We are seeing input cost inflation-related under-earning in a number of leaders across the Household Products and Personal Products industries. The best example is Henkel AG & Co. KGaA (HENKY & HENOY), which we discuss in detail below. Henkel, a European-headquartered company with a global sales and operations footprint, is also a good segue into our last important pocket of opportunity, which is international companies. As of the date of this writing, we are near our maximum weight of 15 percent in international companies. These are businesses in developed markets that fit our definition of a leader just like domestic companies on our Nuance Approved List. Typically, they have global operations (with the exception of some specific circumstances like a regional utility) and often they compete with domestic companies that we follow closely in certain products or geographies. We believe investor fear of escalation of the war in Ukraine and associated fear of deeper recession across Europe is giving us an opportunity to buy excellent global businesses at a meaningful valuation discount to their United States (U.S.) peers.

Across more cyclical areas of the economy, we are starting to see potential opportunities reveal themselves. We are closely monitoring the Information Technology sector as many stocks that we viewed as being at peak returns and peak valuations in 2021 were down 30, 40, or even 50 plus percent in 2022. Although returns are still above normal in most cases, they are showing signs of following a pattern that is very familiar to Nuance. For several years now, the Semiconductor sub-industry has been operating in an environment of higher than average demand, supply has been tight, and pricing has been positive. As often happens, this was met with an aggressive growth capital spending cycle, and it now appears demand is softening just as this new capacity is set to hit the market. This is a classic cycle that Nuance has navigated in the past and will be prepared for should we get the opportunity again. Additionally, within the Industrials sector, the composite came into the year with an approximately 350 basis point weight and exited it with a 1260 basis point weight after adding to several holdings. Versus our benchmark this move suggests a significant underweight has now transitioned to a more neutral weight objective. Today, the opportunity set is still confined to a handful of idiosyncratic situations, but we are hopeful that as the economic cycle plays out, under-earning opportunities will continue to present themselves and our opportunity set will broaden.

Nuance Stocks

We will begin our stock-specific discussion by highlighting a Nuance favorite, and a stock we have had the opportunity to add to aggressively in 2022. Dentsply Sirona, Inc. (XRAY) should be familiar to longtime Nuance investors as a top holding in 2018 and 2020. The composite came into the year with an approximate 1.0 percent weighting in the stock and exits with an approximate 6.5 percent weighting.

XRAY is a leading global manufacturer of high-end dental equipment and consumables. Dental product manufacturers are a sub-industry of the economy that we believe is attractive due to its oligopolistic market share structure and its stable demand profile over economic cycles. We believe XRAY commands leading market share positions in a variety of dental supplies and equipment categories including restoratives, preventatives, implants, endodontic tools, and CAD/CAM equipment. Market share trends have generally been stable to gaining over time in most of its product categories. XRAY is expected to have earned around $2.00 per share in 2022 per Wall Street consensus estimates, and we believe it is under-earning its long-term potential. The company is dealing with depressed sales level due to shortages in semiconductors that go in its high-end imaging equipment. It is our belief that these bottlenecks are subsiding, and that the semiconductor shortage will abate in the coming quarters. Dental patient volumes have also remained below normal due to persistently high cancellation rates and regional restrictions, such as in China. We believe that these dynamics should normalize over time as deferred care often leads to increased acuity in dental.

The company has also faced inflation in key raw materials for its products, including resins and certain metals, and we believe this has caused their margins to be below normal levels. Additional pricing efforts, cost cutting measures, and/or moderating raw material inflation should remedy the problem over the next one to two years, in our opinion. Finally, the company generates around 65 percent of its sales outside the U.S. and an unusually strong dollar in 2022 has been a headwind to earnings.

As of December 31, 2022, XRAY was trading at $31.84 per share or around 16.0 times the Wall Street consensus earnings estimate for 2022, which we believe is under-earning normalized levels and, from our perspective, represents a compelling opportunity. This combination of under-earnings and under-valuation caused by transitory issues in a company with an above-average competitive position is exactly what we are looking for in an investment and explains why XRAY is once again a top holding in the portfolio.

Elsewhere in Health Care, we are maintaining our position in top holding Smith & Nephew PLC (SNN). SNN is a leading manufacturer of knee implants, hip implants, sports medicine soft tissue repair products, and advanced wound products. We view these as advantaged product categories with high barriers to entry, high quality standards, and stable long-term demand. We believe SNN is positioned to maintain or gain market share in most of their businesses over time.

Our research indicates that procedure volumes in these categories have been below normal since the onset of Covid-19 and we believe a large backlog of deferred care has built as a result. Although this dynamic has been a headwind to SNN revenue and earnings for the last three years, we believe it should represent a tailwind for demand in 2023 and beyond as procedures continue to normalize and the backlog is methodically worked down. Over the last year, the company has also dealt with higher input costs in the form of resins, metals, freight, and semiconductors. Our research suggests that SNN is likely to get improved pricing over a period of several years to help offset those higher costs. More recently, we believe input costs and availability have also begun to improve, which should aid margin normalization, in our opinion.

SNN is expected to earn around $1.60 per share in 2022 per Wall Street consensus earnings estimates, well below our estimate of normalized mid-cycle earnings power. We believe that should procedure volumes return to normal levels, input costs improve, or the company begin to pass through higher pricing, earnings will progress towards our view of normal. We also like that SNN has a rational and stable balance sheet over time.

The final stock we will discuss today is Henkel AG & Co. KGaA. We are invested in Henkel through two share classes represented by tickers HENKY and HENOY (HENKY), which combine for an approximate 5.5 percent position, making it the #2 company holding in the composite as of December 31, 2022. HENKY is a leading global producer of adhesives and household products, both areas of the economy that we consider to be attractive for investment. Its adhesives business holds a #1 or #2 market share position in a variety of categories including automotive, construction and electronics adhesives. HENKY has been a dominant adhesives player for many years, and we expect it will be a market share gainer over this coming cycle due its advantaged portfolio. HENKY's household products business is a global leader in laundry care with its Persil®, All®, and Snuggle® brands, and a European leader in dishwashing detergent and toilet care. In addition to its leading market shares, HENKY holds around 1.5 billion euros of net cash on its balance sheet, a figure that compares favorably to both of its peer groups, according to our research.

HENKY is expected to earn around $1.04 per ADR share (in U.S. dollars) this year per Wall Street consensus estimates, and we believe that the company is under-earning its long-term potential. HENKY's first source of under-earnings relates to its currently elevated cost of goods sold, in our opinion. Recent raw material inflation has eaten into earnings with cost of goods sold as a percent of its sales running about 350 basis points above what we would consider normal. This increase has been primarily driven by rising resin and other petrochemical costs across HENKY's entire product portfolio, as well as inflated transportation costs. We believe this negative phenomenon will likely prove transitory as pricing ultimately catches up with costs and the ratio normalizes. We believe HENKY's second source of under-earnings relates to the net cash on its balance sheet referenced above. In January 2022, HENKY announced its first ever stock buyback for a total of 1.0 billion euros, which represents around 3.5 percent of its market cap. As this buyback is executed, we believe it will prove to be earnings accretive, while still leaving some net cash on the balance sheet. If either or both abovementioned catalysts were to occur, then HENKY's earnings per share could move higher.

At year end, HENKY was trading at $16.08 per ADR share which equated to under 11.0 times our internal estimate of normalized earnings. If HENKY's earnings per share were to move higher towards more normal levels that we estimate to be around $1.50 per share, as discussed above, and its price-to-earnings multiple was to expand to levels in line with its history, then we believe meaningful upside could be generated by investing in HENKY's shares. Additionally, we believe HENKY's conservative balance sheet combined with the ongoing share buyback should provide reasonable downside support for the stock from these price levels. The combination of a company with an excellent competitive position, desirable end markets, temporary under-earnings, and an inexpensive valuation with downside support makes HENKY a good fit as an investment within the Nuance process.

As always, we continue to optimize the risk reward of your portfolio 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.

In closing, I want to wish a bittersweet congratulations to one of my closest friends, Laurie Kirby, on her retirement from the Nuance Investment Team. Laurie has been with Nuance for more than a decade, primarily in her role as Senior Investment Analyst covering the Materials sector. She is and was an outstanding analyst and her expertise covering Materials will be missed. Fortunately for us, she will remain a part of the Nuance family as a part-owner of the firm and advisor to the executive committee on an ongoing basis. Laurie will also assume the role of Secretary to the Board of Directors effective January 1, 2023.

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)	-	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
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
YTD 2022 As of: 12/31/2022	(3.82)	(4.48)	(12.03)	(6.93)	0.2	78	$4,295,774,730	$5,575,739,313	0.0%	15.4	24.8	26.8

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.

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 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 Adviser. 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. Actual account returns may be higher or lower than the Composite returns due to differences in portfolio holdings, timing of security transactions, and account inception date. 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. 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. 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. A full schedule of fees for all Firm products is available upon request.

(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. Nuance pays a licensing fee to FactSet to access their platform and to use their data, including peer group rankings, in marketing materials. 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. The peer groups consist of mutual funds within the stated category with performance history available from the Nuance Mid Cap Value inception date. 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 net return data from December 2008 to the displayed date. For additional performance periods, please visit: https://nuanceinvestments.com/peer-group-disclosures/. FactSet reports on month end returns only. *Additional Information*: Portfolio composition will vary over time and may change without notice. 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. Current investment style and assigned peer groups may differ from the styles presented. Nuance utilizes fund peer groups due to the limited availability of separate account data. 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 similar to the guidelines and classifications of the Morningstar and Lipper fund category groups to which it is compared, however, fund category groups differ from 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. For Morningstar ratings of our separate accounts, please visit: https://nuanceinvestments.com/awards-mid-cap-value/. 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. Standard Deviation is a statistical measure of the historical volatility of a portfolio that reflects its dispersion or deviation from its mean. 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 12/31/2022 portfolio weights of names discussed are as follows: BAX (4.0%), BDRFY (1.5%), CALM (0.5%), CUZ (0.0%), CVGW (0.7%), EQC (2.4%), GCP (0.0%), HENKY (2.3%), HENOY (3.2%), HR (3.5%), ICUI (2.2%), SNN (5.0%), TRV (4.0%), XRAY (6.5%), and Y (0.0%). 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.

Past Performance is not a guarantee of future results. Investing in our products contains risk including the risk of total loss. Securities are subject to general market risks due to a variety of factors that affect the overall market. There is no guarantee that an investment with the strategy will meet its investment objectives. Please request a copy of the Firm's full disclosures for more information.