

Nuance Concentrated Value Long-Short Fund



Third 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



Name	Title	Experience
Scott Moore, CFA	President & Co-CIO	31 years
Chad Baumler, CFA	Vice President & Co-CIO	15 years
Darren Schryer, CFA, CPA	Portfolio Manager	6 years
Jack Meurer, CFA	Assoc. Portfolio Manager	5 years

Performance as of September 30, 2022

As of 9/30/2022 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	2.42	0.08	-0.80	-9.08	2.33	-8.61	3.32%	3.33%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	2.13	-0.18	-1.05	-9.33	2.14	-8.67	3.57%	3.58%
S&P 500® Index	10.73	9.24	8.16	-15.47	-23.87	-4.88		
Morningstar Long/Short Equity	3.03	2.29	2.50	-8.75	-12.78	-3.42		

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 8/28/2023. 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

	12/31/20	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
Cash	14.2%	16.0%	15.5%	16.6%	13.6%	16.2%	9.8%	6.2%
Long Equities	85.8%	84.0%	84.5%	83.4%	86.4%	83.8%	90.2%	93.8%
Short Equities	98.9%	98.6%	99.4%	93.7%	98.5%	93.0%	75.1%	86.3%
Gross Exposure	184.8%	182.6%	183.9%	177.1%	184.9%	176.8%	165.3%	180.1%
Net Exposure	-13.1%	-14.6%	-14.9%	-10.3%	-12.1%	-9.2%	15.1%	7.6%

At the end of the third quarter of 2022, the Investment Team believed the opportunity set was healthy for both sides of the Fund's investment portfolio. As of September 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 15 percent premium to what we would consider fair value. Said another way, our long universe appeared to be overvalued by roughly 15 percent, on average, based on our internal estimates. From a downside perspective, according to our company-by-company valuation work, the same universe had around 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 around 60 percent. Importantly, recent market volatility has created some very interesting long investment opportunities with attractive risk rewards, in our opinion, within our long universe of leaders that has remained modestly overvalued.

As shown in the table above, the portfolio ended the third quarter with a net +7.6 percent long equity exposure. On the long side of the portfolio, the Investment Team believed the recent volatility and market pullback referenced above has provided us with an attractive set of long investment ideas with transitory under-earnings and depressed valuations as of September 30, 2022. Sub-industries that we believed were under-earning and appeared attractive from a risk reward perspective included Household Products, Health Care Equipment, and Health Care Supplies. On the short side of the portfolio, the Investment Team believed that over-earning and overvaluation remained widespread and that ample short investment opportunities could be found across most sub-industries of the economy, including the Automotive Retail, Environmental & Facilities Services, Railroads, and General Merchandise Stores sub-industries.

Featured Investment¹

Long Smith & Nephew PLC (SNN): SNN is a leading manufacturer of advanced medical devices including knee implants, hip implants, sports medicine, trauma devices, ENT devices and advanced wound products. According to our internal research, SNN holds a top-two market share position in sports medicine and advanced wound care and a top-four position in knee replacement, hip replacement, and trauma devices. As we have stated in the past, the Health Care Equipment Global Industry Classification Standard (GICS[®]) sub-industry is a part of the economy viewed favorably by the Investment Team, due to the critical nature of its products, its oligopolistic market structure, and the stable market share positions of its leaders. SNN fits this same mold, with leading market share positions in the majority of its product suite. Importantly, the Investment Team believes SNN is well positioned to maintain or gain market share over the coming cycle within its various product categories. When SNN's enviable product set and market share position is combined with its investment grade balance sheet, the Investment Team has concluded that SNN's overall competitive position is attractive.

SNN is expected to earn around \$1.60 per ADR share (in United States (U.S.) Dollars) this year, per Wall Street consensus estimates, and the Investment Team believes that the company is under-earning its long-term potential for two key reasons. The first reason is related to SNN's current revenues, which appear below normalized levels, in our opinion. SNN has seen significant deferred procedure volumes due to Covid-19. This is a result of modestly below normal U.S. procedure volumes and an even more sluggish volume recovery internationally. Additionally, lagged pricing pass-through effects across its product set, and a semiconductor chip shortage that has affected shipment volume in some of SNN's more advanced equipment product lines have depressed SNN's run rate revenues from our perspective. It is our belief that SNN's revenues are roughly 5 percent to 10 percent below what we would consider normal when these factors are taken into account. The second reason the Investment Team believes SNN is under-earning is due to its gross profit margins being suppressed. According to our research, SNN's gross profit margins have averaged around 70 percent over the last two and a half years, compared to roughly 74 percent during the preceding five year period. The leading causes of these depressed margins are inflation in key raw materials for its products, primarily consisting of metals and resins, and operational inefficiencies resulting from lower overall sales volumes. If SNN's revenues were to inflect higher due to executing on a recovery in global procedure volumes and successfully negotiating price increases for its products, and its gross profit margins were to improve from improved pricing or stable to falling input prices, then we believe SNN's earnings per ADR share could reset higher.

As of September 30, 2022, SNN was trading at \$23.22 per ADR share which equated to around 14.0 times the Wall Street consensus expectations for SNN's earnings per ADR share in 2022. This multiple appears depressed versus SNN's own price-to-earnings ratio history, where the long-term average has been closer to 20.0 times and compared to the long-term history of its close peers Zimmer Biomet Holdings, Inc. (ZBH) and Stryker Corporation (SYK). Both peers have averaged price-to-earnings ratios in the high teens and low 20's over prior cycles, respectively. If SNN's earnings per ADR share were to rise due to the factors mentioned above, and its price-to-earnings ratio was to expand to long-term averages, then we believe meaningful absolute and relative upside could be generated by investing in SNN's shares as of September 30, 2022. The combination of a company with an attractive competitive position in an oligopolistic market structure, transitory under-earnings, and an inexpensive valuation is what the Investment Team looks for in a long investment and explains why SNN was a top long position in the Fund's investment portfolio at the end of the third quarter 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. 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 9/30/2022 portfolio weights of names discussed are as follows: Smith & Nephew PLC (SNN) 7.4%, Zimmer Biomet Holdings, Inc. (ZBH) 0.0% and Stryker Corporation (SYK) 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.

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.