

Nuance Concentrated Value Long-Short Fund



Fourth 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	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

Performance as of December 31, 2022

As of 12/31/2022 Inception Date 12/31/15	Since Inception Return	7 Year	5 Year	3 Year	1 Year	YTD 2022	QTD	Gross Expense Ratio	Net Expense Ratio
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	2.62	2.62	0.83	-1.89	4.40	4.40	2.02	3.32%	3.33%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	2.33	2.33	0.58	-2.15	4.14	4.14	1.95	3.57%	3.58%
S&P 500® Index	11.48	11.48	9.42	7.66	-18.11	-18.11	7.56		
Morningstar Long/Short Equity	3.65	3.65	2.60	2.87	-8.35	-8.35	5.06		

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

	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22
Cash	16.0%	15.5%	16.6%	13.6%	16.2%	9.8%	6.2%	7.7%
Long Equities	84.0%	84.5%	83.4%	86.4%	83.8%	90.2%	93.8%	92.3%
Short Equities	98.6%	99.4%	93.7%	98.5%	93.0%	75.1%	86.3%	89.2%
Gross Exposure	182.6%	183.9%	177.1%	184.9%	176.8%	165.3%	180.1%	181.5%
Net Exposure	-14.6%	-14.9%	-10.3%	-12.1%	-9.2%	15.1%	7.6%	3.2%

At the end of the fourth quarter of 2022, the Investment Team believed the opportunity set was attractive for both sides of the Fund's investment portfolio. As of December 31, 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.

As shown in the table above, the portfolio ended the fourth quarter with a net +3.2 percent long equity exposure. On the long side of the portfolio, the Investment Team believed recent market volatility, alongside a stock market that is down for the year, have provided us with an attractive set of long investment ideas with transitory under-earnings and depressed valuations as of December 31, 2022. Sub-industries that we believed were under-earning and undervalued 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 of the economy, including the Automotive Retail, Environmental & Facilities Services, Railroads, and Oil & Gas Refining & Marketing sub-industries.

Featured Investment¹

Long Dentsply Sirona, Inc. (XRAY)- XRAY is the leading global manufacturer of high-end dental equipment and consumables and is a high-quality company that the Investment Team has written about numerous times over the years. Dental product manufacturers are a sub-industry of the economy that the Investment Team believes is attractive due to its oligopolistic market share structure and its stable demand profile over economic cycles. According to our internal research, XRAY commands leading market share positions in a variety of dental products and equipment 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. Furthermore, XRAY's balance sheet leverage of around 2.0x net debt to our internal estimate of normalized earnings before interest, taxes, depreciation, amortization and rent expense (EBITDAR) is consistent with its history and, in our opinion, is appropriate given the lower volatility nature of its business. When XRAY's leading market share position in a sub-industry we view as attractive, is combined with its rational balance sheet leverage, the Investment Team has concluded that XRAY's overall competitive position is above average.

XRAY is expected to earn around \$2.00 per share this year per Wall Street consensus estimates, and the Investment Team believes it is under-earning its long-term potential. The first reason for these under-earnings is related to a depressed sales level due to semiconductor shortages in its high-end imaging equipment. The company has faced difficulties sourcing semiconductors for its more expensive imaging equipment due to supply chain bottlenecks, which has resulted in a growing sales backlog, but an absence of actual sales generated in certain equipment categories. It is our belief that these bottlenecks are subsiding and that the semiconductor shortage will begin to abate in the coming quarters. The second reason is related to inflation in key raw materials for its products, including resins and certain metals. By our estimate, EBITDAR margins are currently below normal. Additional pricing efforts and/or moderating raw material inflation should remedy the problem over the next one to two years, in our opinion. If the semiconductor bottlenecks were to ease, allowing for equipment sales to recover and pricing efforts were to allow margins to move higher, then XRAY's sales and earnings power could move up to levels that we would consider to be normal.

As of December 31, 2022, XRAY was trading at \$31.84 per share or around 16.0x the Wall Street consensus estimate for 2022. This valuation multiple compares favorably to both XRAY's own price-to-earnings ratio historical average of more than 20.0x and the current median multiples of our entire Nuance proprietary long universe. From the Investment Team's perspective, this sizable discount represents a compelling opportunity. If XRAY's earnings per share were to step-change higher due to the reasons described above and XRAY's earnings multiple was to reach a level in line with its long-term average, then attractive relative and absolute upside could be generated by investing in XRAY at today's prices, in our opinion. This combination of under-earnings and under-valuation caused by transitory issues in a company with an above average competitive position is exactly what our Investment Team is looking for in a long investment and explains why XRAY is once again a top holding in the long portfolio.

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 12/31/2022 portfolio weights of names discussed are as follows: Dentsply Sirona, Inc. (XRAY) 7.6%. 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.