Nuance Concentrated Value Composite Perspectives

March 31, 2023

Description of the Product

The Nuance Concentrated 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 15-35 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 3000® Value Index. Clients may also compare the product to 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
Category: Multi-Cap Value
Ranking vs. Peers: 2 of 328
Internally derived using Lipper Peers

Morningstar
Category: Large Value
Ranking vs. Peers: 3 of 881
Internally derived using Morningstar Peers

Morningstar
Category: Mid-Cap Value
Ranking vs. Peers: 2 of 269
Internally derived using Morningstar Peers

Longer Term Performance Update (through March 31, 2023)

Since Inception Return: The return since inception (11/13/2008) through 3/31/2023 is 12.98 percent (annualized and net of fees) versus the Russell 3000® Value Index and S&P 500® Index, which have returned 10.77 percent and 13.29 percent, respectively.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 3/31/2023 is 0.96 (net of fees) versus the Russell 3000® Value Index at 0.62 and the S&P 500® Index at 0.82.

Peer Group Returns through 3/31/2023: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 80 out of 881 peer group members (9th percentile) in the Morningstar Large Value Funds universe, 64 out of 269 (24th percentile) in the Morningstar Mid-Cap Value Funds universe, and 37 out of 328 (12th percentile) in the Lipper Multi-Cap Value Funds universe.

Peer Group Risk-Adjusted Return through 3/31/2023: On a risk-adjusted return basis, since 11/30/2008, (measured by the Sharpe Ratio) we ranked 3 out of 881 peer group members (1st percentile) in the Morningstar Large Value Funds universe, 2 out of 269 (1st percentile) in the Morningstar Mid-Cap Value Funds universe, and 2 out of 328 (1st percentile) in the Lipper Multi-Cap Value Funds universe.

Peer Group Analysis 11/30/2008 - 3/31/2023	Since Inception APR[1]	Standard Deviation (A)[1]	Sharpe Ratio (A)[1]
Nuance Concentrated Value Composite (Gross)	13.48	12.90	1.00
Nuance Concentrated Value Composite (Net)	12.74	12.88	0.94
Morningstar† Large Value Funds Peer Group (Median)	10.97	16.03	0.65
Peer Group Percentile and Ranking	9th (80 of 881)	7th (59 of 881)	1st (3 of 881)
Morningstar† Mid-Cap Value Funds Peer Group (Median)	12.00	17.90	0.61
Peer Group Percentile and Ranking	24th (64 of 269)	1st (1 of 269)	1st (2 of 269)
Lipper† Multi-Cap Value Funds Peer Group (Median)	10.86	16.36	0.62
Peer Group Percentile and Ranking	12th (37 of 328)	3rd (9 of 328)	1st (2 of 328)

†Peer groups derived internally using data from FactSet.

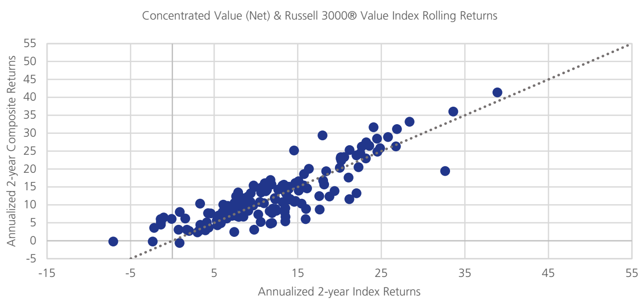
Performance 11/13/2008 - 3/31/2023	APR*	TR*	Standard Deviation*	Sharpe Ratio*	10 Year	7 Year	5 Year	3 Year	1 Year	YTD 2023
Nuance Concentrated Value Composite (Gross)	13.72	535.57	12.88	1.01	9.66	9.05	8.07	13.41	0.76	5.19
Nuance Concentrated Value Composite (Net)	12.98	478.80	12.87	0.96	8.87	8.26	7.28	12.59	0.04	5.01
Russell 3000® Value Index	10.77	335.75	16.23	0.62	8.99	8.95	7.30	18.12	(6.35)	0.91
S&P 500® Index	13.29	502.21	15.33	0.82	12.23	12.42	11.18	18.60	(7.73)	7.50

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

[1]The Nuance Concentrated Value Composite is an all-capitalization value investment product and consists of separately managed accounts in the Nuance Concentrated Value strategy. Rankings and peer group comparisons are created internally using data from FactSet. For comparison purposes, subsets of the Morningstar Large Value Funds Peer Group, Morningstar Mid-Cap Value Funds Peer Group, and the Lipper Multi-Cap Value Funds Peer Group have been presented as investment strategies with a similar investment style to the Nuance Concentrated Value Composite. The peer groups consist of mutual funds within the stated category with performance history available from the Composite 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 3/31/2023	
11/30/2008 - 3/31/2023	Periods Beating the Index		Composite (%) Annualized Net of Fees	Russell 3000® Value Index (%)
Nuance Concentrated Value Composite	90/149	60.4%	2.78	2.00



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 March 31, 2023, the Nuance Concentrated Value Composite two-year rolling return is 2.78 percent (annualized and net of fees) versus the Russell 3000® Value Index and S&P 500® Index which have returned 2.00 percent and 3.30 percent, respectively. Overall, we have outperformed in 90 out of the available 149 two-year periods as shown in the chart labeled Rolling 2-Year Return Periods.

Year-to-date, the Nuance Concentrated Value Composite has returned 5.01 percent (net of fees) versus the Russell 3000® Value Index and the S&P 500® Index, which have returned 0.91 percent and 7.50 percent respectively.

Calendar Year Performance as of 3/31/2023	11/13/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD 2023
Nuance Concentrated Value Composite (Gross)	4.47	42.24	18.79	6.85	18.41	35.33	8.88	(1.28)	20.49	12.11	(3.82)	28.92	4.25	10.80	(3.86)	5.19
Nuance Concentrated Value Composite (Net)	4.47	41.70	18.13	6.29	17.79	34.45	8.07	(1.98)	19.70	11.29	(4.55)	28.00	3.48	9.99	(4.55)	5.01
Russell 3000® Value Index	0.37	19.76	16.23	(0.10)	17.55	32.69	12.70	(4.13)	18.40	13.19	(8.58)	26.26	2.87	25.37	(7.98)	0.91
S&P 500® Index	(0.47)	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)	7.50

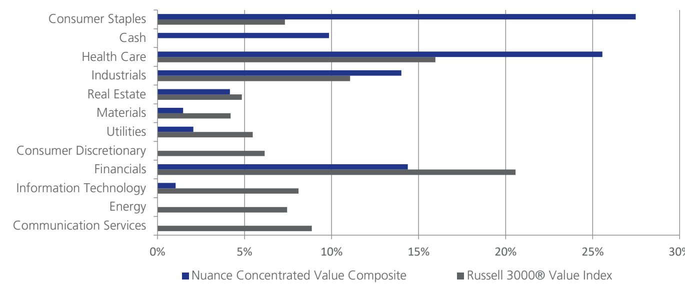
Composition of the Portfolio as of 3/31/2023

Portfolio Characteristics[2]	Nuance Concentrated Value Composite	Russell 3000® Value Index
Weighted Average Market Cap	27.6b	146.2b
Median Market Cap	10.7b	2.1b
Price to Earnings (internal and ttm)*	13.8x	16.5x
Price to Earnings (ex-neg earnings)	-	14.4x
Dividend Yield	2.4%	2.2%
Return on Equity	10.5%	13.5%
Return on Assets	2.7%	2.6%
Active Share vs Russell 3000® Value Index	98%	-
Upside/Downside Capture Ratio vs Russell 3000® Value Index	80% / 63%	-
Number of Securities	31	2,212

* 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 13.8x versus the Russell 3000® Value Index of 16.5x. We are achieving this ratio with a portfolio of companies that have a return on assets of 2.7 percent versus the Russell 3000® Value Index of 2.6 percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

Sector Weights and Portfolio Positioning as of 3/31/2023



While we believe the volatility in the quarter created opportunities that allowed us to take advantage of the changing risk rewards in the portfolio, our sector weightings have not shifted significantly. The largest overweight positions, relative to the index, remain the Consumer Staples and Health Care sectors. Within the Consumer Staples sector, we are continuing to see input cost inflation-related under-earning in a number of leaders across the Household & Personal Products industry group. Our view is that earnings in this industry group 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. We are also seeing some one-off opportunities within the Food Products industry. Our overweight position in the Health Care sector is primarily in the Health Care Equipment & Supplies industry as we wait patiently for elective procedure volumes 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, we believe 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 have continued to add slightly to our Industrials holdings and remain overweight the sector as select leaders have started to look modestly attractive. While we are underweight the Financials sector, we continue to find attractive risk rewards, in our opinion, primarily in the Insurance and Capital Markets industries. We maintain positions in the Utilities and Real Estate sectors but are slightly underweight relative to the benchmark. We continue to be underweight the Information Technology sector as we look for more attractive risk rewards. We remain underweight in the Energy sector where we believe the sector is facing a multi-year period of competitive transition. We remain underweight in the Consumer Discretionary and Communication Services sectors primarily due to a combination of competitive uncertainty and valuation concerns.

Stocks We Added to Your Portfolio (First Quarter 2023):

Calavo Growers, Inc. (CVGW): CVGW is a leading distributor of avocados in the United States (U.S.) as well as a leading supplier of fresh cut fruits and vegetables to grocery stores and foodservice customers. According to our research, the company is under-earning its long term potential for several reasons, including inflation in shipping, wages, and input costs in its fresh cut fruits and vegetables business. However, the primary reason for under-earning is due to a weak avocado harvest in Mexico in 2022, leading to lower sales volume and low capacity utilization. We believe avocados are a share gaining food with a strong longer term outlook for supply and demand, and that this period of under-earning is transitory. We believe this has created an attractive risk reward versus other opportunities.

Charles Schwab Corp. (SCHW): SCHW, with over $7.0 trillion in client assets, is a leading provider of a variety of financial services to individual investors, independent investment managers, retirement plans, and institutions. Recent market volatility has provided, what we believe to be, a reasonable entry point for our clients into this leading business franchise at an attractive risk reward.

Diageo Plc (DEO): DEO is a leading producer of alcoholic beverages. The company has market leading positions in several spirits categories, including Scotch, other whiskeys, tequila, rum, gin, and flavored liqueurs. Additionally, spirits have been a long-term share gainer within alcoholic beverages, mostly at the expense of beer. Following a brief period of over-earning and strong growth in 2021 and 2022, demand in the U.S. now appears to be decelerating at a time when input costs remain high. We believe this is a shorter term transitory event and has created an attractive entry point in a high quality company.

Globus Medical Inc (GMED): GMED is a leading manufacturer of implants, supplies, tools, and equipment used in spine surgery. GMED has been a consistent market share gainer over time, and we believe the company is positioned to maintain or continue gaining market share. Recently, GMED announced the acquisition of NuVasive, Inc. (NUVA) in an all-stock deal. NUVA is another share-gaining spine company that we have followed closely and made an investment in during 2022. We believe that this deal has strategic merit and the combined entity will have the opportunity to improve margins at legacy NUVA, which had historically been below what we would consider normal for the industry and below GMED's standalone margins. We also like that the combined company will have a strong balance sheet with a net-cash position following the close of the deal. GMED stock has underperformed since the deal announcement which has afforded us the opportunity to start a position at what we believe to be an attractive risk reward opportunity.

Zimmer Biomet Holdings, Inc. (ZBH): ZBH is a leading manufacturer of knee, hip, and shoulder replacement devices along with other surgical supplies and equipment. Recently, ZBH has been under-earning on margins as the company has dealt with higher costs in the form of freight, resin, and metals. We believe better pricing, offsetting cost cuts, or input cost reversion will bring margins back towards what we consider normal levels in time. Additionally, we believe surgical procedure volumes are still modestly below normal levels as the industry recovers following years of Covid-19-related disruptions and a meaningful backlog of deferred procedures is still left to be worked through. As such, we decided to initiate a new position at what we believe to be a favorable risk reward relative to other market opportunities.

Stocks We Eliminated from Your Portfolio (First Quarter 2023):

Applied Materials, Inc (AMAT): AMAT is the world's leading supplier of semiconductor capital equipment with high market shares in many different semiconductor manufacturing tools, a debt free balance sheet, and high returns on capital. After a period of outperformance, we exited the position as we believe we found more attractive risk reward opportunities elsewhere.

Baxter International (BAX): BAX is a leader in IV fluids, pumps, and supplies, along with kidney dialysis products, hospital beds, patient monitoring equipment, and other hospital equipment and supplies. Recently, the company announced the intended spin-off of its kidney dialysis business. After analyzing the merits of the spin, we determined that it was likely to delay the progress of the company's intended debt paydown plans and be modestly dilutive to our fair value and downside value price targets. In light of this analysis and having several good alternative investment options within the Health Care Equipment & Supplies industry, we made the decision to close our BAX position, capture a tax loss for our taxable clients, and redeploy the funds while maintaining the portfolio's overall risk reward.

Everest Re Group, LTD (RE): We have exited our investment in RE, a leading U.S. Property & Casualty re-insurer, after a period of outperformance which resulted in the stock achieving our fair value. Post a transitory low in RE's earnings power driven by Covid-19 related claims, the company's profitability has recovered. We will be monitoring RE's risk reward closely for potential re-entry into the North American reinsurer.

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

Dear Clients,

For the three months ending March 31, 2023, the Nuance Concentrated Value composite was up 5.01 percent (net of fees) compared to the Russell 3000® Value Index, which was up 0.91 percent, and the S&P 500® Index, which was up 7.50 percent. From our perspective, since-inception performance is the most important barometer of performance, and in the period since inception (November 13, 2008 - March 31, 2023), the Nuance Concentrated Value Composite was up 12.98 percent (annualized and net of fees) compared to the Russell 3000® Value Index, which was up 10.77 percent, and the S&P 500® Index, which was up 13.29 percent.

Nuance Performance Goals

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

1. First, we seek to beat our primary benchmark (the Russell 3000® 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 Concentrated Value Composite on November 13, 2008, we have outperformed our primary benchmark 12 out of 15 years (including our stub year of 2008) and 11 out of 14 (not including the 2008 stub year). For the first three months of 2023, the Nuance Concentrated Value Composite was up 5.01 percent (net of fees) versus our primary benchmark, the Russell 3000® Value Index, which was up 0.91 percent. If that performance holds for the full calendar year, the Nuance Concentrated Value Composite will have outperformed 13 out of 16 years (including the stub period of 2008).

2. Second, we seek to outperform our primary benchmark (since our inception and net of fees) and to do so with less risk, as measured by the standard deviation of returns. As of March 31, 2023, we have accomplished this goal, as the Nuance Concentrated Value Composite rose 12.98 percent (annualized and net of fees) between its inception on November 13, 2008 through March 31, 2023 compared to the Russell 3000® Value Index, which rose 10.77 percent. Further, during the same period, the Nuance Concentrated Value Composite had a standard deviation of 12.87 percent (annualized and net of fees), meaningfully lower than the 16.23 percent standard deviation of the Russell 3000® 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 Concentrated Value Composite's 1st percentile Sharpe Ratio metrics versus our peers (see Exhibit 1 below).

Exhibit 1[1]

Peer Group Analysis 11/30/2008 - 3/31/2023	Since Inception APR[1]	Standard Deviation (A)[1]	Sharpe Ratio (A)[1]
Nuance Concentrated Value Composite (Gross)	13.48	12.90	1.00
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4. Fourth and finally, we seek to beat our secondary benchmark 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 13, 2008 through March 31, 2023, the Nuance Concentrated Value Composite was up 12.98 percent (annualized and net of fees) versus the S&P 500® Index, which was up 13.29 percent. Further, the Nuance Concentrated Value Composite had a standard deviation of 12.87 percent (annualized and net of fees) during the same time period, which is lower than the 15.33 percent standard deviation of the S&P 500® Index. As such our Sharpe Ratio was 0.96 versus the S&P 500® Index's Sharpe Ratio of 0.82. Accordingly, our risk-adjusted returns are on track to date, though we are disappointed that since-inception performance is modestly behind our secondary benchmark.

YTD Attribution[2]

1. Our stock selection in the Health Care sector was a positive contributor to performance as outperformance in Dentsply Sirona, Inc. (XRAY) more than offset underperformance in Baxter International Inc. (BAX) and Universal Health Services, Inc. (UHS).

2. Our stock selection in the Consumer Staples sector was also a positive contributor to performance as Henkel AG & Co.KGaA (HENKY) and Clorox Company (CLX) both outperformed.

3. Our underweight position to the Communication Services, Information Technology, and Consumer Discretionary sectors detracted from performance as those sectors all outperformed in the quarter.

4. The Financials sector was a positive contributor to performance as our underweight of the Banks industry aided performance, which more than offset modest underperformance from several of our insurance investments including Travelers Companies, Inc. (TRV) and Reinsurance Group of America (RGA).

5. The Industrials sector also contributed to performance as our investments in Mueller Water Products, Inc. (MWA) and Knorr-Bremse AG (KNRRY) outperformed while our investment in 3M Company (MMM) underperformed.

6. Our underweight of the Energy sector contributed to performance as the sector was down in the period.

7. Our positioning in the Utilities sector was a small positive contributor in the period while our positioning in the Real Estate and Materials sectors were small detractors from performance.

8. Our cash position was a small positive contributor in the period.

Nuance Perspectives[2]

It was a relatively encouraging start to 2023 for us here at Nuance. For the three months ending March 31, 2023, the Nuance Concentrated Value composite was up 5.01 percent (net of fees) compared to the Russell 3000® Value Index, which was up 0.91 percent, and the S&P 500® Index, which was up 7.50 percent.

In recent years, we've written several times about risks and distortions in financial markets related to excessively low interest rates and Federal Reserve decision-making. We finally witnessed some of the fallout from those policies in the first quarter as rapidly rising interest rates caused declines in bond values and created significant solvency issues at several banks when they were forced to realize those losses. We feel it would be valuable to share our perspective on this recent bout of bank volatility with our clients. As a starting point, the Investment Team's criteria for investments within the Regional Banks and Diversified Banks GICS® sub-industries are identical to the criteria for all other sub-industries of the economy. We are looking for market share leaders with stable to gaining share, attractive return on capital profiles, appropriate levels of balance sheet leverage, and rational capital allocation policies. Over the years, Nuance has studied many banks, including the banks that have recently failed, i.e., SVB Financial Group (SIVB) and Signature Bank Corp (SBNY), and the banks that appear to be at risk of permanent equity value impairment, i.e., First Republic Bank (FRC) and PacWest Bancorp (PACW). The abovementioned banks didn't fit the Nuance framework and were eliminated from consideration at various points of our investment process, and as a result, they were not members of our Nuance Approved List or our investment portfolios.

As an example, the Investment Team studied SIVB in detail in 2018. While SIVB met the quantitative screening step of our process, it was eliminated from inclusion on the Nuance Approved List due to what we believed at the time was an unproven competitive position and an unanalyzable return on capital profile. The competitive position was deemed to be unproven due to a meaningfully higher exposure to loans made to private equity funds when compared to prior cycles. Although SIVB was a market share gainer in this loan category, it was unclear what the true source of their competitive advantage was versus other established peers and whether or not this advantage would persist over cycles. The return on capital profile of SIVB was deemed to be unanalyzable due to SIVB's aggressive asset base growth of around 25 percent per year over the prior decade. While this level of asset growth might sound attractive at first glance, it makes the historical return on capital data less relevant given prior peaks and troughs were accomplished with a much smaller asset base. With an uncertain competitive position and unanalyzable returns on capital, in our opinion, SIVB did not make it through our investment process.

In contrast to the above example, Nuance does have several primarily commercial-oriented banks on the Nuance Approved List as of March 31, 2023 that satisfy the elements of our investment process. In the last few weeks, all aspects of our banks' income statements (including credit losses, net interest margin, and normalized earnings power) and balance sheets (uninsured deposit base, liquidity, fair market asset values, and leverage) have been stress-tested internally with no material changes to our Fair and Downside price targets. Generally speaking, when compared to the banks that are currently facing difficulty, we believe our Nuance Approved List banks have better balance sheets, a lower proportion of uninsured deposits, and historically better underwriting (observed using historical charge-off analyses) with more controlled loan growth. It is our belief that these banks are in a better position to manage deposit volatility and have a lower likelihood of facing severe deposit outflows and corresponding forced asset sales at losses. We would also emphasize that in our studies of the Financials sector, we have found better competitive position, return on capital, and balance sheet certainty in our leading Property & Casualty insurers such as Travelers Companies, Inc. (TRV) and service providers such as Northern Trust Corporation (NTRS), which is reflected in our historical weightings and allocations. Delivering superior risk-adjusted returns is a key goal of ours at Nuance, and we are pleased that our process led us to positioning within the Financials sector that was a positive contributor to performance during a period of downside risk and uncertainty experienced in the first quarter.

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

In our year-end commentary, we mentioned significant additions to investments in the Industrials sector that we made over the course of 2022. Rotation into that newer pocket of opportunity has continued in 2023, as we added to several holdings in the first quarter and are now up to a 14.4 percent composite sector weight and a small overweight positioning as of March 31. Specifically, we would highlight new top-5 holding 3M Company (MMM). MMM is a diversified industrial conglomerate with leading market share positions across a variety of businesses including industrial materials and adhesives, healthcare consumables, safety equipment, and consumer products. The company has historically enjoyed stable market share positions across its portfolio and its businesses benefit from structural demand drivers including the shift from traditional fasteners to adhesives, aging populations, and rising safety standards globally. These characteristics have contributed to MMM exhibiting high and stable returns on capital over time. Additionally, we believe that MMM's balance sheet leverage of less than 1.5 times net debt to our internal estimate of normalized earnings before interest, taxes, depreciation, amortization, and rent expense (EBITDAR) is appropriate and compares favorably to most peers.

Our view of MMM normalized earnings power is near $9.00 per share, and we believe the company is currently under-earning relative to Wall Street consensus estimates for 2023. The first source of under-earning is related to cyclical weakness in MMM's consumer-facing businesses. Discretionary consumer spending has weakened as inflation has impacted consumer budgets and consumers have worked down pandemic-related savings. According to our research, this has led to a cyclical decline in discretionary consumer electronics purchases including smartphones, TVs, tablets, and their related semiconductor content. These are all categories that utilize MMM's products. On top of this headwind to sales driven by the end consumer, general inventory destocking by retailers has compounded this decrease in sales, in our opinion. The second source of under-earning is related to cost inflation for MMM's key inputs including resins, petrochemicals, wood pulp, labor, and transportation. We estimate that MMM's EBITDAR margins are currently more than 200 basis points below levels we would consider normal. We believe additional pricing actions and/or moderating input cost inflation should result in margin normalization over the next few years.

As of March 31, 2023, MMM was trading at $105.11 per share or only 11.9 times our view of normalized earnings, a valuation that is well below MMM's own price-to-earnings ratio historical averages and the current median multiples of our Nuance Approved List. MMM is currently facing two legal battles which we believe have led to negative sentiment and helped create a compelling valuation opportunity in the stock. The Investment Team has thoroughly studied both situations, has examined past analogous corporate litigation, and has stress tested MMM's earnings power and balance sheet for a variety of scenarios. Importantly, we do not expect these legal issues to impact the competitive position of MMM's broad line of businesses and have incorporated our own expected litigation and settlement costs into our balance sheet and normalized earnings estimates. It is our belief that the company's strong balance sheet and its normalized annual free cash flow in excess of $5.5 billion should provide an ample cushion from which to service any costs related to these matters. To emphasize, these issues and our own internal estimate of their long-term impact to the company are included in our view of normalized earnings, cash flows, and balance sheet strength. In legal matters, there is always uncertainty, but based on our study of these issues, it appears to be a situation where the uncertainty is providing a solid risk reward opportunity.

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.

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 Concentrated 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 (RAV Index)	Benchmark Return (SPX 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 (RAV Index)	3 Year Annualized Standard Deviation (SPX Index)
YTD 2008 (11/13/08-12/31/08)	4.47	4.47	0.37	(0.47)	-	7	$9,126,951	$18,657,997	4.6%	-	-	-
2009	42.24	41.70	19.76	26.46	1.2	79	$87,342,803	$137,943,058	0.6%	-	-	-
2010	18.79	18.13	16.23	15.06	0.3	145	$119,543,453	$181,201,036	0.5%	-	-	-
2011	6.85	6.29	(0.10)	2.11	0.5	181	$96,831,359	$152,976,943	1.1%	16.1	21.3	19.0
2012	18.41	17.79	17.55	16.00	0.2	259	$154,693,966	$214,936,666	1.0%	13.1	16.0	15.3
2013	35.33	34.45	32.69	32.39	0.7	411	$418,085,862	$507,569,897	0.4%	12.2	13.1	12.1
2014	8.88	8.07	12.70	13.69	0.2	581	$886,246,169	$1,071,186,382	0.2%	10.4	9.5	9.1
2015	(1.28)	(1.98)	(4.13)	1.38	0.2	607	$715,577,980	$913,545,839	0.1%	11.4	10.9	10.6
2016	20.49	19.70	18.40	11.96	0.1	694	$937,752,729	$1,466,221,847	0.1%	11.1	11.1	10.7
2017	12.11	11.29	13.19	21.83	0.1	726	$1,011,853,027	$1,784,338,191	0.0%	10.1	10.5	10.1
2018	(3.82)	(4.55)	(8.58)	(4.38)	0.2	588	$689,752,219	$1,724,795,756	0.0%	9.4	11.2	11.0
2019	28.92	28.00	26.26	31.49	0.1	522	$795,289,051	$3,486,104,071	0.0%	9.1	12.2	12.1
2020	4.25	3.48	2.87	18.40	0.2	539	$834,339,154	$5,948,860,811	0.0%	14.5	20.2	18.8
2021	10.80	9.99	25.37	28.71	0.1	458	$798,174,233	$6,660,123,316	0.0%	14.1	19.6	17.4
2022	(3.86)	(4.55)	(7.98)	(18.11)	0.2	452	$580,736,892	$5,575,739,313	0.0%	15.6	21.8	21.2
YTD 2023 As of: 3/31/2023	5.19	5.01	0.91	7.50	N/A	461	$599,967,844	$5,595,011,213	0.1%	13.2	18.1	19.2

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 Concentrated Value Composite (the "Composite") is a composite of actual accounts invested in the Nuance Concentrated Value investment strategy. The creation and inception date for the Composite is 11/13/08. 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 3000® Value Index. The Russell 3000® Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000® companies with lower price-to-book ratios and lower forecasted growth values. The secondary benchmark 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 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 Concentrated Value Composite is an all-capitalization value investment product and consists of separately managed accounts in the Nuance Concentrated 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 Large Value Funds Peer Group, Morningstar Mid-Cap Value Funds Peer Group, and the Lipper Multi-Cap Value Funds Peer Group have been presented as investment strategies with a similar investment style to the Nuance Concentrated Value Composite. The peer groups consist of mutual funds within the stated category with performance history available from the Composite 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 Concentrated Value Separate Account Product has been classified by Morningstar in the following categories: Large Value and 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 Concentrated Value Composite is compared to various fund peer groups as defined by investment style and 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 separate account category 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-concentrated-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. 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 Concentrated 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 3/31/2023 composite weights of names discussed are as follows: AMAT (0.0%), BAX (0.0%), CLX (5.7%), CVGW (1.2%), DEO (0.5%), FRC (0.0%), GMED (1.2%), HENKY (8.7%), KNRRY (3.8%), MMM (6.0%), MWA (3.5%), NTRS (4.5%), NUVA (0.0%), PACW (0.0%), RE (0.0%), RGA (2.3%), SBNY (0.0%), SCHW (1.1%), SIVB (0.0%), TRV (3.7%), UHS (4.0%), XRAY (8.0%), and ZBH (2.1%) 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 contact client.services@nuanceinvestments.com to request a copy of the Firm's full disclosures for more information.