

Nuance Concentrated Value Long-Short Fund



Second Quarter 2023

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



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

Performance as of June 30, 2023

As of 6/30/2023 Inception Date 12/31/15	Since Inception Return	7 Year	5 Year	3 Year	1 Year	YTD 2023	QTD	Gross Expense Ratio	Net Expense Ratio
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	3.48	2.78	2.08	-2.30	0.55	7.83	2.16	3.32%	3.33%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	3.19	2.48	1.83	-2.55	0.25	7.67	2.11	3.57%	3.58%
S&P 500® Index	13.01	13.38	12.31	14.60	19.59	16.89	8.74		
Morningstar Long/Short Equity	4.06	4.62	3.72	6.64	6.46	4.90	3.13		

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

	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	3/31/23	6/30/23
Cash	16.6%	13.6%	16.2%	9.8%	6.2%	7.7%	6.6%	8.6%
Long Equities	83.4%	86.4%	83.8%	90.2%	93.8%	92.3%	93.4%	91.4%
Short Equities	93.7%	98.5%	93.0%	75.1%	86.3%	89.2%	87.5%	90.6%
Gross Exposure	177.1%	184.9%	176.8%	165.3%	180.1%	181.5%	180.9%	182.0%
Net Exposure	-10.3%	-12.1%	-9.2%	15.1%	7.6%	3.2%	5.8%	0.9%

At the end of the second quarter of 2023, the Investment Team believed the opportunity set was appealing for both sides of the Fund's investment portfolio. As of June 30, 2023, the median company in the Nuance proprietary long universe, which consists of companies we view as sub-industry leaders, was trading at more than a 20 percent premium to what we would consider fair value. Said another way, our long universe appeared to be overvalued by more than 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 second quarter with a net +0.9 percent long equity exposure. On the long side of the portfolio, the Investment Team continued to find what we consider to be attractive risk reward opportunities despite our belief that many of the stocks in our Nuance long universe were overvalued. As of June 30, 2023, sub-industries that we believed were generally under-earning and undervalued included Household Products, Health Care Equipment, and Industrial Conglomerates. On the short side of the portfolio, the Investment Team believed that over-earning and overvaluation continued to be widespread, and that a variety of short investment opportunities could be found across much of the economy including the Packaged Foods & Meats, Automotive Retail, and Environmental & Facilities Services sub-industries.

Featured Investment¹

Short General Mills, Inc. (GIS) – GIS is a large, global, diversified packaged food company, with product offerings in cereal, yogurt, baking products, canned soup, and pet food, among others. Some of the company's most recognizable brands include Cheerios™, Lucky Charms™, Pillsbury™, Betty Crocker™, Yoplait®, and Blue Buffalo™. The Investment Team has historically been skeptical of the long-term competitive positions of most packaged food companies, including GIS, as our internal research has indicated these companies have lost market share with consumers, whose buying patterns have shifted towards fresher and healthier options in developed economies over this economic cycle. For GIS specifically, this is evidenced by the company's average organic volume growth of negative 1 percent for the last 8 years, even when including the benefit of positive volumes in 2020 and 2021 during the Covid-19 induced lockdowns. Additionally, GIS' balance sheet leverage has crept up to over 3.0 times our internal estimate of normalized earnings before interest, taxes, depreciation, amortization, and rent (EBITDAR), a level we would generally consider too high for a company that could continue to face negative volume growth in the future. When GIS' history of market share losses is combined with its higher financial leverage, the Investment Team has concluded that GIS' competitive position is below average.

GIS has generated around \$20 billion in revenue and more than \$4.25 in earnings per share over the last 12 months, and the Investment Team believes the company is over-earning its long-term potential. We believe there are two primary reasons for the company's over-earnings. The first reason is related to GIS' current level of revenues. The company's revenues were recently boosted above trend, in our opinion, due to aggressive price increases on its products. Over the last 12 months, GIS has raised prices on its products by around 14 percent, which is significantly higher than the average annual price increase of 2 percent for the prior 7 years. As a result, we estimate that GIS' revenues are roughly 10 percent above levels we would consider normal, and that revenues could decline from either GIS having to reverse prior price increases or consumer price sensitivity that leads to falling volumes. The second reason for the over-earnings is related to GIS' interest expense. Given the levered nature of GIS' balance sheet highlighted above, the company has been a meaningful beneficiary of the low interest rates we observed over the last decade. GIS' average interest rate paid on its debt has been around 3 percent over the last 12 months, which is currently lower than the yields that the company's bonds trade at today. According to our research, we estimate that around 70 percent of GIS' debt will mature in the next 5 years, and we believe if the debt is refinanced at current interest rates, then interest expense could increase materially. If GIS' revenues were to fall due to price or volume decreases, and GIS refinanced its existing debt over the next few years at today's interest rates, then sales and earnings per share could reset lower.

As of June 30, 2023, GIS was trading at \$76.70 per share which equated to an enterprise value (EV) of close to \$60 billion, and the Investment Team believed GIS was over-valued as illustrated by its enterprise-value-to-sales ratio (EV/Sales) and its price-to-earnings ratio (P/E). At the end of the second quarter in 2023, GIS was trading at an EV/Sales ratio of just under 3.0 times and around 23.0 times our internal estimate of normalized earnings per share. These valuations are near all-times highs and appear elevated when compared to GIS's 20-year median ratios of around 2.4 times EV/Sales and 16.0 times earnings per share. If GIS' sales were to decline and interest expense were to increase, and its valuation multiples were to contract to the 20-year median levels, we believe that selling the stock short at today's prices could generate attractive upside. With GIS possessing what we believe to be a below average competitive position, experiencing temporary over-earnings, and trading at an expensive valuation, we believe GIS represents a great short opportunity and fits the criteria that the Investment Team looks for in a short investment.

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.

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. Enterprise Value = Enterprise Value is a measure of a firm's value that incorporates the value of its common stock, preferred stock, debt, minority interests, and cash and equivalents. Enterprise Value to Sales = The ratio of a firm's Enterprise Value to its Sales. Enterprise Value is an assessment of the total operating value of a firm and Sales (or Revenue) is income a company receives during a specific period, including discounts and deductions for returned merchandise. As of 6/30/2023 portfolio weights of names discussed are as follows: General Mills, Inc. (GIS) -3.9%. The information presented related to the Nuance investment decision and selection process is intended to be informational in nature, speak to our process and does not represent a recommendation in any specific security or securities. Information not specific to a cited source constitutes the opinion of the Nuance Investment Team and should not be relied upon to make investment decisions. Investors should be aware of the risks associated with data sources including without limitation, fundamental, technical, qualitative and quantitative factors used in our investment process. Errors may exist in data acquired from third party vendors, the development of investment ideas, the analysis of data and the portfolio construction process. While Nuance takes steps to verify information so as to minimize the potential impact of potential errors, we cannot guarantee that errors will not occur.

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

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

Past Performance is not a guarantee of future results.

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

GIPS® Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Nuance has been independently verified for the periods 11/03/08 – 3/31/23 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.