

Nuance Mid Cap Value Composite Perspectives



June 30, 2024

Description of the Product

The Nuance Mid Cap Value Composite is a classic value investment product investing primarily in the equity or equity-linked securities of United States based companies. The product will typically maintain 50-90 positions in the securities of companies that, in the opinion of the Nuance Investments Team, have leading and sustainable market share positions, above average financial strength, and are trading at prices materially below our internally derived view of intrinsic value. The product's primary benchmark is the Russell Midcap® Value Index. Clients may also compare the product to the S&P MidCap 400® Value Index and the S&P 500® Index.

Portfolio Managers



Left to right: Adam West, Darren Schryer, Scott Moore, & Jack Meurer

Name	Title	Experience
Scott Moore, CFA	President & CIO	33 years
Darren Schryer, CFA, CPA	VP & Portfolio Manager	8 years
Jack Meurer, CFA	VP & Portfolio Manager	7 years
Adam West, CFA	VP & Portfolio Manager	18 years

Peer Statistics¹

1st Percentile Sharpe Ratio

Lipper
Peers: Mid-Cap Value
Ranking vs. Peers: 1 of 76

Morningstar
Peers: Mid-Cap Value
Ranking vs. Peers: 1 of 168

Longer Term Performance Update (through June 30, 2024)

Since Inception Return: The return since inception (on 11/03/2008 through 6/30/2024) is 12.21 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 11.75 percent, the S&P MidCap 400® Value Index up 12.01 percent, and the S&P 500® Index up 13.92 percent.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 6/30/2024 is 0.81 (net of fees) versus the Russell Midcap® Value Index at 0.59, the S&P MidCap 400® Value Index at 0.56, and the S&P 500® Index at 0.84.

Peer Group Returns through 6/30/2024: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 41 out of 168 peer group members (24th percentile) in the Morningstar Mid-Cap Value Funds universe and 20 out of 76 (26th percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Risk-Adjusted Return through 6/30/2024: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 1 out of 168 peer group members (1st percentile) in the Morningstar Mid-Cap Value Funds universe and 1 out of 76 (1st percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Returns 11/30/2008 - 6/30/2024	Since Inception APR ¹	Standard Deviation (A) ¹	Sharpe Ratio (A) ¹
Nuance Mid Cap Value Composite (Gross)	13.51	13.69	0.91
Nuance Mid Cap Value Composite (Net)	12.71	13.71	0.85
Morningstar Mid-Cap Value Funds Peer Group (Median)	11.88	17.68	0.59
Peer Group Percentile and Ranking	24th (41 of 168)	1st (2 of 168)	1st (1 of 168)
Lipper Mid-Cap Value Funds Peer Group (Median)	11.76	17.67	0.59
Peer Group Percentile and Ranking	26th (20 of 76)	2nd (2 of 76)	1st (1 of 76)

Performance 11/03/2008 - 6/30/2024	APR [*]	TR [*]	Standard Deviation [*]	Sharpe Ratio [*]	15 Year	10 Year	7 Year	5 Year	3 Year	1 Year	YTD 2024
Nuance Mid Cap Value Composite (Gross)	13.00	578.80	13.77	0.87	13.30	8.25	7.54	6.03	1.65	0.42	(1.71)
Nuance Mid Cap Value Composite (Net)	12.21	508.31	13.78	0.81	12.50	7.52	6.80	5.31	0.95	(0.27)	(2.04)
Russell Midcap® Value Index	11.75	470.11	18.06	0.59	12.49	7.60	7.66	8.49	3.65	11.98	4.54
S&P MidCap 400® Value Index	12.01	491.25	19.55	0.56	12.55	8.17	8.47	9.53	4.65	8.17	0.45
S&P 500® Index	13.92	670.73	15.33	0.84	14.80	12.85	14.27	15.03	10.00	24.56	15.29

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

¹Rankings and peer group comparisons are created internally on a quarterly basis using data from FactSet. For comparison purposes, subsets of the Morningstar Mid-Cap Value Funds Peer Group and the Lipper Mid-Cap Value Funds Peer Group have been presented as investment strategies with a similar investment style to the Nuance Mid Cap Value Composite. For more information on peer group comparisons and calculations, please refer to the full disclosures.

Value. Delivered.

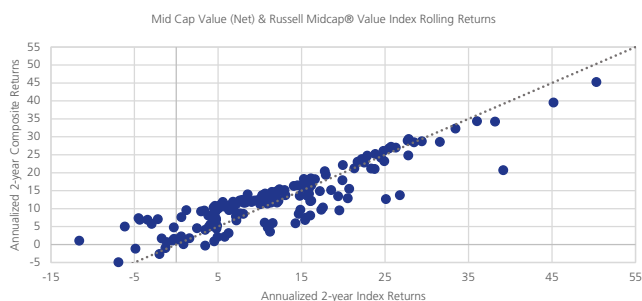
Shorter Term Performance Update (Two-Year and Year-to-Date)

Rolling 2-Year Return Periods		Current 2-Year Period as of 6/30/2024		
11/30/2008 - 6/30/2024	Periods Beating the Index	Composite (%) Annualized Net of Fees	Russell Midcap® Value Index (%)	
Nuance Mid Cap Value Composite	111 / 164	67.7%	3.60	11.22

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 June 30, 2024, the Nuance Mid Cap Value Composite two-year rolling return is 3.60 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 11.22 percent, the S&P MidCap 400® Value Index up 11.99 percent, and the S&P 500® Index up 22.02 percent. Overall, we have outperformed in 111 out of the available 164 two-year periods as shown in the chart labeled Rolling 2-Year Return Periods.

Year-to-date, the Nuance Mid Cap Value Composite has returned (2.04) percent (net of fees) versus the Russell Midcap® Value Index up 4.54 percent, the S&P MidCap 400® Value Index up 0.45 percent, and the S&P 500® Index up 15.29 percent.



Calendar Year Performance as of 6/30/2024	11/03/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD 2024
Nuance Mid Cap Value Composite (Gross)	(4.13)	38.69	21.08	4.04	22.02	35.45	9.79	2.95	21.87	16.18	(4.18)	32.52	5.49	12.28	(3.82)	7.77	(1.71)
Nuance Mid Cap Value Composite (Net)	(4.13)	38.20	20.01	3.38	20.61	34.24	9.14	2.33	21.05	15.42	(4.88)	31.62	4.76	11.51	(4.48)	7.03	(2.04)
Russell Midcap® Value Index	(5.60)	34.21	24.75	(1.38)	18.51	33.46	14.75	(4.78)	20.00	13.34	(12.29)	27.06	4.96	28.34	(12.03)	12.71	4.54
S&P MidCap 400® Value Index	(3.99)	33.73	22.78	(2.43)	18.53	34.25	12.10	(6.65)	26.53	12.32	(11.88)	26.08	3.73	30.65	(6.93)	15.39	0.45
S&P 500® Index	(5.95)	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	(4.38)	31.49	18.40	28.71	(18.11)	26.29	15.29

Composition of the Portfolio as of 6/30/2024

Portfolio Characteristics ²	Nuance Mid Cap Value Composite	Russell Midcap® Value Index
Weighted Average Market Cap	18.3b	25.9b
Median Market Cap	9.1b	10.4b
Price to Earnings (Normal)*	13.6x	20.2x
Price to Earnings (Ex-Neg Earnings)	-	17.1x
Dividend Yield	2.5%	1.9%
Return on Tangible Assets (Normal)*	9.4%	6.8%
Return on Tangible Assets (Trailing)	5.7%	6.8%
Return on Assets (Normal)*	7.1%	5.3%
Return on Assets (Trailing)	4.3%	5.3%
Active Share vs Russell Midcap® Value Index	97%	-
Upside/Downside Capture Ratio vs Russell Midcap® Value Index	80% / 74%	-
Number of Securities	54	699

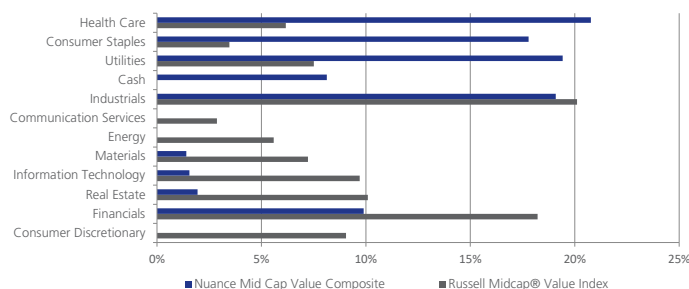
We continue to be pleased with the overall composition of the portfolio. Remember that we are seeking investment opportunities in leading business franchises with better than average valuation support. Using the adjacent table, you can see that the portfolio has a Price to Earnings ratio of 13.6x versus the Russell Midcap® Value Index of 20.2x. We are achieving this ratio with a portfolio of companies that have a return on assets of 7.1 percent versus the Russell Midcap® Value Index of 5.3 percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

* Based on Nuance normalized earnings estimates.

Sector Weights and Portfolio Positioning as of 6/30/2024

While our sector overweight and underweight exposures were unchanged during the quarter, we did make changes to the composition of the portfolio as risk reward opportunities shifted. We continued to add to our weight within the Utilities sector during the quarter and have increased our exposure significantly over the past year. Our overweight in the Utilities sector is made up primarily of exposure to the Water Utilities industry as we believe these companies are under-earning our view of their normal returns on capital. The prolonged period of low interest rates over the last decade has resulted in historically low allowed returns on equity and regulatory lag, which has been exacerbated by the recent inflationary environment. We believe these lower returns on equity will reset higher as utility regulators incorporate a more normal cost of capital environment. The two largest overweight positions in the portfolio, relative to the benchmark, remain the Consumer Staples and Health Care sectors.

In the Consumer Staples sector, we are continuing to see input cost inflation-related under-earning in a number of leaders across the Household Products sub-industry. Our view is that earnings in this sub-industry 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 finding what we believe to be select opportunities within the Packaged Foods & Meats and Personal Care Products sub-industries. Within the Health Care sector, we would mention two specific opportunities. The first opportunity is companies that sell into the dental space which include positions in the Health Care Supplies, Health Care Equipment, and Health Care Distributors sub-industries. We are seeing under-earning and underperformance manifesting across the broader group of dental companies. The second opportunity we are seeing within the Health Care sector is in the Life Sciences Tools & Services sub-industry. We believe a combination of excess capacity being built out combined with a below normal funding environment for biotechnology has created select opportunities across the sub-industry. While the Industrials sector makes up a meaningful part of the portfolio, we remain slightly underweight relative to the benchmark. We reduced our exposure within the Financials sector. While we remain underweight relative to the Russell Midcap® Value Index, we continue to have meaningful exposure within the sector, including the Asset Management & Custody Banks sub-industry. While we have small exposures in the Real Estate, Information Technology, and Materials sectors, we continue to be underweight those sectors relative to the index. We remain underweight the Energy sector where we believe the sector is facing a multi-year period of competitive transition. Lastly, we continue to be underweight the Consumer Discretionary and Communication Services sectors primarily due to competitive uncertainty and valuation concerns.

**Nuance Perspectives from President & CIO, Scott Moore, CFA**

Dear Clients,

For the six months ending June 30, 2024, the Nuance Mid Cap Value Composite was down (2.04) percent (net of fees) compared to the Russell Midcap® Value Index, which was up 4.54 percent, the S&P MidCap 400® Value Index, which was up 0.45 percent, and the S&P 500® Index, which was up 15.29 percent. From our perspective, since-inception performance is the most important barometer of performance, and in the period since inception (November 3, 2008 - June 30, 2024), the Nuance Mid Cap Value Composite was up 12.21 percent (annualized and net of fees) compared to the Russell Midcap® Value Index, which was up 11.75 percent, the S&P MidCap 400® Value Index, which was up 12.01 percent, and the S&P 500® Index, which was up 13.92 percent.

Nuance Performance Goals

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

1. First, we seek to beat our primary benchmark (the Russell Midcap® Value Index) more times than not during calendar years. Calendar year performance matters to us given how important that period is to most of our clients. We are unlikely to beat our benchmark each calendar year and expect to have particular difficulty outperforming during latter stages of the investment, valuation, and economic cycles. In our experience, those periods are usually characterized by high valuations, high levels of corporate leverage, and oftentimes very narrow markets in which investors do not appear to be focused on risk in general. In pursuing this goal, we note that since the inception of the Nuance Mid Cap Value Composite on November 3, 2008, we have outperformed our primary benchmark 11 out of 16 years (including our stub year of 2008) and 10 out of 15 (not including the 2008 stub year). For the first six months of 2024, the Nuance Mid Cap Value Composite was down (2.04) percent (net of fees) versus our primary benchmark, the Russell Midcap® Value Index, which was up 4.54 percent. If that performance holds for the full calendar year, the Nuance Mid Cap Value Composite will have outperformed 11 out of 17 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 June 30, 2024, we have accomplished this goal, as the Nuance Mid Cap Value Composite rose 12.21 percent (annualized and net of fees) between its inception on November 3, 2008 through June 30, 2024 compared to the Russell Midcap® Value Index, which rose 11.75 percent. Further, during the same period, the Nuance Mid Cap Value Composite had a standard deviation of 13.78 percent (annualized and net of fees), meaningfully lower than the 18.06 percent standard deviation of the Russell Midcap® Value Index. As such, our Sharpe Ratio was 0.81 (net of fees) versus the Russell Midcap® Value Index's Sharpe Ratio of 0.59.
3. Third, we seek to outperform our peers over the long term (since inception) and to do so with less risk, as measured by the standard deviation of returns. Since inception, our peer group performance has also been solid, as illustrated by the Nuance Mid Cap Value Composite's 1st percentile Sharpe Ratio metrics versus our peers (see Exhibit 1 below).

Exhibit 1¹

Peer Group Returns 11/30/2008 - 6/30/2024	Since Inception APR ¹	Standard Deviation (A) ¹	Sharpe Ratio (A) ¹
Nuance Mid Cap Value Composite (Gross)	13.51	13.69	0.91
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Peer Group Percentile and Ranking	24th (41 of 168)	1st (2 of 168)	1st (1 of 168)
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Peer Group Percentile and Ranking	26th (20 of 76)	2nd (2 of 76)	1st (1 of 76)

4. Fourth and finally, we seek to beat our secondary benchmarks over the long term (since inception) and to do so with less risk, as measured by the standard deviation of returns. Since inception on November 3, 2008 through June 30, 2024, the Nuance Mid Cap Value Composite was up 12.21 percent (annualized and net of fees) versus the S&P MidCap 400[®] Value Index, which was up 12.01 percent, and the S&P 500[®] Index, which was up 13.92 percent. Further, the Nuance Mid Cap Value Composite had a standard deviation of 13.78 percent (annualized and net of fees) during the same time period, which is lower than the 19.55 percent standard deviation of the S&P MidCap 400[®] Value Index and the 15.33 percent standard deviation of the S&P 500[®] Index. As such our Sharpe Ratio was 0.81 (net of fees) versus the S&P MidCap 400[®] Value Index Sharpe Ratio of 0.56 and the S&P 500[®] Index Sharpe ratio of 0.84. Accordingly, our risk-adjusted returns are on track relative to the S&P MidCap 400[®] Value Index. However, we are disappointed our risk-adjusted returns are modestly behind the S&P 500[®] Index. Although, it is not surprising to see this phenomenon after a period in which growth has outperformed value so significantly.

YTD Attribution²

- Our stock selection in the Health Care sector was a primary detractor from performance as our investment in dental companies including Dentsply Sirona, Inc. (XRAY), Envista Holdings Corp. (NVST), and Henry Schein, Inc. (HSIC) all underperformed. We believe the dental space remains a significant one-off under-earning and undervalued opportunity that we have added to during this period of underperformance. Please refer to our first quarter 2024 Perspectives for more details on our dental thesis.
- Our positioning within the Utilities sector also negatively impacted performance as our investments were primarily in the Water Utilities industry, which was the worst performing industry within Utilities. We continue to favor the competitive position of Water Utilities to natural gas and most electric utilities. In particular, investor uncertainty around the upcoming United Kingdom (U.K.) election and any potential impact to the timing or outcome of The Water Services Regulation Authority price review has caused underperformance in several U.K. water utilities. We continue to believe United Utilities Group PLC (UUGRY), Pennon Group Plc (PEGRY), and Severn Trent Plc (STRNY) are under-earning due to allowed return on equity that has not yet factored in the current higher interest rate regime and regulatory lag on much-needed water infrastructure investment, and we added to the group over the first half of the year.
- The Consumer Staples sector benefited performance in the first half of the year. Kimberly-Clark Corporation (KMB) outperformed as the company showed signs of earnings power normalizing in their first quarter results, and the stock reacted positively. We took advantage of the outperformance to reduce our position. Henkel AG & Co. (HENKY) also outperformed in the period.
- Our positioning in the Financials sector was a detractor from performance. Our investment in Reinsurance Group of America, Incorporated (RGA) outperformed as the company benefited from higher interest rates and improving mortality trends, but our investment in Independent Bank Corp. (INDB) underperformed in the period.
- Our underweight to the Materials, Communication Services, and Consumer Discretionary sectors positively contributed to performance, and our underweight to the Information Technology sector was roughly neutral. However, our underweight to the Energy sector detracted from performance as the sector was the best performing in the Russell Midcap[®] Value Index, up 11.8 percent in the first half of the year. We continue to believe most of the Energy sector is facing serious competitive threats from new technologies, and fossil fuel-oriented companies are facing the prospect of secularly declining demand for their products. We remain void the Energy sector today and discuss our thesis in more detail below.
- The Real Estate sector was a modest detractor from performance as Healthcare Realty Trust Incorporated (HR) underperformed.
- The Industrials sector was also a modest detractor from performance as Mueller Water Products, Inc. (MWA) and 3M Company (MMM) outperformed, but our investment in the trucking space underperformed in the period.
- Finally, our cash position was roughly neutral to performance.

Nuance Perspectives²

The first half of 2024 can best be described as disappointing for us here at Nuance. For the six months ending June 30, 2024, the Nuance Mid Cap Value Composite was down (2.04) percent (net of fees) compared to the Russell Midcap[®] Value Index, which was up 4.54 percent, the S&P MidCap 400[®] Value Index, which was up 0.45 percent, and the S&P 500[®] Index, which was up 15.29 percent.

¹Rankings and peer group comparisons are created internally on a quarterly basis using data from FactSet. For comparison purposes, subsets of the Morningstar Mid-Cap Value Funds Peer Group and the Lipper Mid-Cap Value Funds Peer Group have been presented as investment strategies with a similar investment style to the Nuance Mid Cap Value Composite. For more information on peer group comparisons and calculations, please refer to the full disclosures. 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 attribution of each holding or sector to the overall composite performance, please contact Nuance Investments at client.services@nuanceinvestments.com.

At the risk of sounding repetitive with some of our recent writings, the market remains disinterested in the sorts of businesses that we find exhilarating: companies that are leaders within their niche, should grow roughly around the rate of GDP or a little faster over time, are under-earning normalized levels and undervalued, in our view. The market would seem to find these businesses boring today, preferring to chase speculation, growth, and risk within the equity portion of their portfolio. However, we believe there is nothing boring about buying excellent businesses at under 14.0 times price-to-normalized earnings. Nor is there anything boring about owning growing companies offering a 7, 8, or 9 percent unlevered free cash flow yield, as many of our top holdings are today. These periods can feel like an eternity for a value investor, and we commiserate with our clients who feel that way. The reality is that we faced this sort of market in the latter portion of 2020 and all of 2021, returned to a semblance of normalcy in 2022 and the first half of 2023, and are now about a year into this “risk-on” period.

Health Care remains a drag on our performance this year. We wrote extensively about our dental holdings last quarter and they remain a top idea. We have added aggressively with the stocks now trading close to recessionary valuation levels, a steep discount to the Russell Midcap® Value Index, which is currently trading at a price-to-earnings ratio of more than 20 times. Our Utilities investments are focused within the Water Utilities industry and have, what we believe to be, the most secure and stable competitive positions within Utilities. They have also been a drag on performance as the sector is up about 10 percent while our holdings are down so far this year. Much like dental, they remain one of our highest conviction ideas, and we have added to our position over the course of the year. Within Utilities, the market has favored the likes of Vistra Corp. (VST), a price taking independent power producer (IPP) with junk rated debt operating in a highly competitive wholesale power market being disrupted by renewable power adoption. VST happens to be up around 124.5 percent this year, emblematic of the speculative, low-quality, risk-seeking nature of this current market, in our opinion.

In Financials, Northern Trust Corporation (NTRS) is up only 1.4 percent this year. NTRS has a long-standing leading franchise in ultra high net worth wealth management and specialty custody and asset servicing. It is trading at a 12.4 times price-to-normalized earnings ratio and is our largest holding within the space. The market prefers to speculate in Robinhood Markets Inc. (HOOD), a company that has never turned a fiscal year profit, has recently faced serious liquidity issues, and is somehow in the Russell Midcap® Value Index despite trading at 9.6 times trailing sales. On top of all that, it is the best performing Financials stock in the benchmark, up 78.3 percent this year.

These are just a few, but examples of businesses that the market currently favors being those that do not fit at all what we do or how we invest, are plentiful. That brings us to the Energy sector, which was the best performing sector in the Russell Midcap® Value Index over the first six months of 2024, up 11.8 percent. In 2017 we wrote extensively about our thesis that the Energy sector, and crude oil businesses specifically, were likely facing a multi-year period of competitive transition. Since then, we have avoided investing in all businesses that, in our belief, have material exposure to this competitive threat, while our investment team has endlessly analyzed new information and internally scrutinized our view. Given the Energy sector has been in favor over the last few years, including the year-to-date period, we thought it would be timely to revisit our view on this competitive transition as well as the related opportunities that we see within the context of our long-term investment approach.

As we have previously discussed, ground transportation represents approximately half of all global crude oil demand. Both passenger and commercial vehicles have long been powered by hydrocarbon-based fuels since the adoption of the internal combustion engine (ICE) beginning in the late 19th century. In the same way that the internal combustion engine was a disruptive technology more than a century ago, it is our belief that improvements in energy storage and electric vehicle (EV) technology will disrupt the status quo, resulting in a flattening and ultimately declining demand profile for crude oil broadly. Market share stability is a required characteristic of all businesses that our team considers for inclusion in our client’s portfolios, and the prospect of structurally declining crude oil demand and resulting market share losses for businesses that depend on its growth has necessitated our avoidance of these businesses.

Since first identifying this competitive transition in late 2017, the fundamental developments have steadily supported our initial conclusion. We have since seen continued declines in EV battery prices, and by extension, total cost of ownership of electric vehicles, an expansion of purchase options from automotive manufacturers, a broader global scope of targeted legislative phase-outs of ICE vehicles, and management teams of energy-related companies deliberately allocating fewer dollars within their capital spending budgets toward crude oil-based operations. The result has been a rapid adoption of vehicles that utilize battery technology, which is increasingly displacing crude oil demand. It is our team’s belief these competitive forces will continue on their path of exerting downward pressure on crude oil demand well into the future.

Exhibit 2

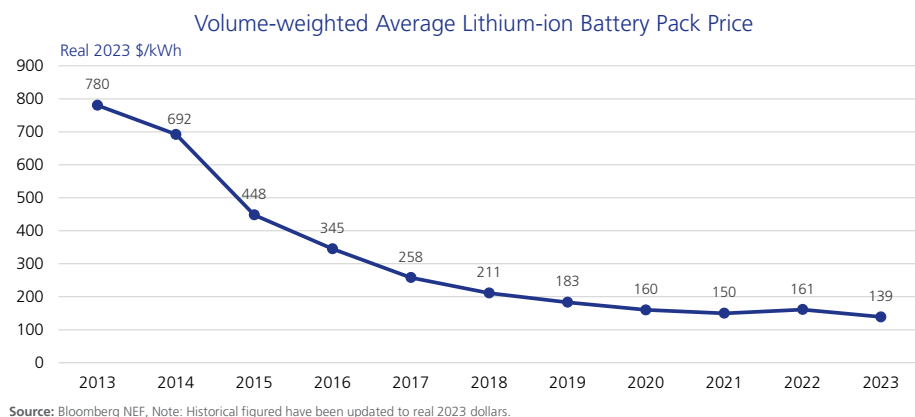
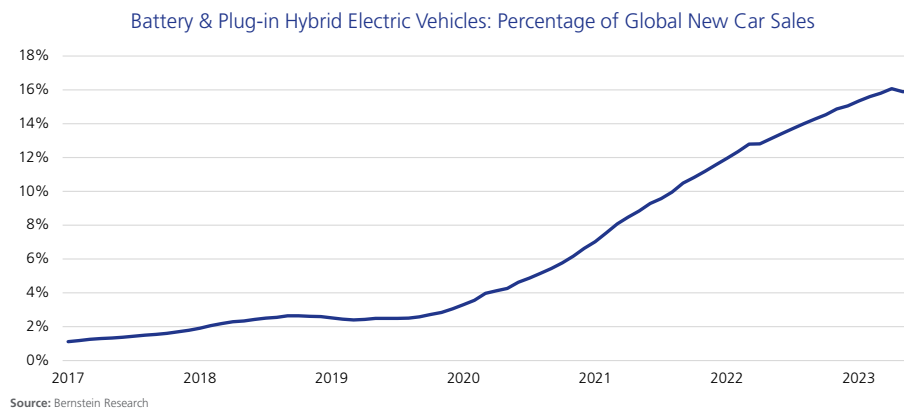


Exhibit 3



Our investment team at Nuance has long studied and aimed to identify and avoid competitively transitioning business models. We know from these experiences that not only can these competitive forces progress at various speeds, but we do not hold a crystal ball with regard to the timing of when the transition in consideration will ultimately lead to deterioration of fundamentals for the businesses at hand. As these transitions advance over time, the businesses exposed can move in and out of favor over the short-term, but it has been our experience that over the long-term, avoiding businesses undergoing competitive transitions is a prudent approach in avoiding permanent loss of capital.

The concept of a competitively challenged space experiencing short-term outperformance within a secular down trend is not a new phenomenon, and it is one we have witnessed many times in our studies of competitive transitions. As an example, by the year 2000, landline telephone use in the United States (U.S.) had peaked. The world did not know that with certainty at the time, though the signs were there, as mobile phone ownership had grown rapidly throughout the 1990s. That did not stop landline leader AT&T Inc. (T), at the time known as SBC Communications Inc., from outperforming in 2000, including an intra-year rally of nearly 70 percent. Of course, they also underperformed significantly over the ensuing five years as the landline phone business started to shrink, with the stock losing more than 35 percent on a total return basis. The company also pursued a strategy that companies facing disruption resort to over and over, trying to use dealmaking, financial engineering, and leverage to maneuver out of the shrinking market. The company did a string of complex M&A transactions in the mid-2000s, adding around \$30 billion dollars of net debt over that short stretch and diluting shareholders. Although the company survived, it remains heavily indebted today and the stock has been a significant underperformer. One wonders if oil and gas companies are currently going the same route, with Exxon Mobil Corporation (XOM) and Chevron Corporation (CVX) each announcing their largest ever acquisitions in the last year and others like TotalEnergies SE (TTE), BP p.l.c. (BP), and Shell Plc (SHEL) aggressively investing in renewables, outside of their historical core competency.

Historically, we have pointed to companies within the Electrical Equipment, Electronic Equipment Instruments & Components, and Semiconductors & Semiconductor Equipment industries as one of our preferred ways to get exposure to broader positive trends in electrification and power consumption while being agnostic to the competitive transition in the source of power, and those remain target areas for us. However, there is another way we believe we can benefit from demand for oil inflecting negative, which is investing in companies that utilize petroleum products as a key input. Prices of oil-based products like resins are likely to be pressured, in our opinion, as oil producers are faced with the prisoner's dilemma of accepting lower and lower commodity prices or risk never monetizing their reserves due to declining demand. That could help provide a nice margin tailwind for those companies that use oil-based products due to lower input costs. One stock that would fall into that category of potential beneficiaries is Clorox Company (CLX), a stock we have added to over the course of the year and is now a top five holding. CLX is a leading producer of cleaning and other household and personal products, primarily for consumers in the U.S. The company has leading market share positions across its portfolio of products, including number one or number two market share positions in disinfecting wipes, surface cleaning solutions, toilet and bathroom cleaners, bleach, professional cleaning products, trash bags, charcoal, and lip balm. The company's brands consist of Clorox®, Glad®, Kingsford®, Burt's Bees®, Fresh Step®, Brita®, and others. Additionally, the company's balance sheet is down to 1.5 times net debt to earnings before interest, taxes, depreciation, amortization, and rent expense (EBITDAR), the strongest it has been in more than 20 years. The company is expected to earn \$6.46 per share in fiscal year 2025 versus our estimate of normal earnings power at \$8.40 per share. One of the primary sources of underearning for CLX in recent years relates to inflation of input costs, with a particular emphasis on resin and transportation costs. We estimate that resin has comprised 15 percent of CLX's cost of goods sold over a prolonged period, and the company is generally viewed as one of the most exposed among its peers to the price of resin, and thus oil. We estimate transportation costs to be another 10-15 percent of CLX's cost of goods sold, and the company has additional exposure to petrochemicals within its products, outside of just accounting for resins. In recent years, the company has seen earnings decline beginning in the middle of 2021, which coincided with the beginning of an inflationary period that saw oil prices increase from roughly \$50 per barrel at the end of 2020 to \$80 at the end of 2021 and peaking above \$120 in 2022. The company has a long history of earning gross margins close to 44 percent, according to our research, but inflation in input costs drove gross margin to new trough levels in 2022 around 35 percent. CLX's gross margin has since recovered to almost 42 percent but remains below long-term medians and the company's internal target. To be clear, we are not assuming any long-term benefit from a potential structural change in oil demand in our analysis of the company's normal earnings estimate, fair value, or trough value; we are simply assuming that the company's dominant position in cleaning products allows it to return to its historical profile of earning returns on capital of close to 50 percent that has been established over decades of competition. With the company trading at around 16 times price-to-normalized earnings, we believe CLX has around 30 percent upside to our view of fair value and 25 percent risk to the downside, a compelling risk reward opportunity in an overvalued market, in our opinion. However, if our analysis is correct in that oil demand and price face a potential long-term march downward, CLX would only stand to benefit from a cost structure that is heavily exposed to oil-related products. This would allow the company to reap the benefits by earning higher margins or reinvesting the savings internally, a situation that creates multiple ways to win and the potential for upside to our fair value estimate.

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 Mid Cap Value Perspectives.

Thank you for your continued confidence and support.



Scott A. Moore, CFA

GIPS® Disclosures

	Gross of Fees Return	Net of Fees Return	Benchmark Return (RMV Index)	Benchmark Return (MIDV Index)	Composite Dispersion (Full Period)	Number of Separate Accounts (End of Period)	Total Composite Assets (End of Period)	Total Firm Assets (End of Period)	% of Non-Fee paying accounts	3 Year Annualized Standard Deviation (Composite Gross)	3 Year Annualized Standard Deviation (RMV Index)	3 Year Annualized Standard Deviation (MIDV Index)
YTD 2008 (11/03/08-12/31/08)	(4.13)	(4.13)	(5.60)	(3.99)	-	1	\$9,531,045	\$18,657,997	0.0%			
2009	38.69	38.20	34.21	33.73	-	4	\$50,600,141	\$137,943,058	1.1%			
2010	21.08	20.01	24.75	22.78	0.1	4	\$60,702,099	\$181,201,036	1.1%			
2011	4.04	3.38	(1.38)	(2.43)	0.1	4	\$55,186,800	\$152,976,943	0.9%	18.2	23.1	23.2
2012	22.02	20.61	18.51	18.53	0.1	4	\$58,463,905	\$214,936,666	1.0%	14.6	17.0	18.4
2013	35.45	34.24	33.46	34.25	0.1	8	\$80,358,264	\$507,569,897	1.0%	13.1	13.9	15.6
2014	9.79	9.14	14.75	12.10	0.1	13	\$130,238,086	\$1,071,186,382	0.7%	10.7	9.9	11.4
2015	2.95	2.33	(4.78)	(6.65)	0.1	17	\$145,638,450	\$913,545,839	0.6%	11.2	10.9	12.4
2016	21.87	21.05	20.00	26.53	0.1	22	\$416,346,621	\$1,466,221,847	0.1%	11.5	11.5	13.6
2017	16.18	15.42	13.34	12.32	0.0	23	\$586,931,538	\$1,784,338,191	0.0%	10.5	10.5	12.4
2018	(4.18)	(4.88)	(12.29)	(11.88)	0.2	21	\$852,510,018	\$1,724,795,756	0.0%	10.2	12.1	14.1
2019	32.52	31.62	27.06	26.08	0.2	43	\$2,297,275,123	\$3,486,104,071	0.0%	9.4	13.0	15.8
2020	5.49	4.76	4.96	3.73	0.3	59	\$4,585,719,214	\$5,948,860,811	0.0%	14.5	22.9	26.2
2021	12.28	11.51	28.34	30.65	0.2	59	\$5,353,939,144	\$6,660,123,316	0.0%	14.1	22.3	25.4
2022	(3.82)	(4.48)	(12.03)	(6.93)	0.2	78	\$4,295,774,730	\$5,575,739,313	0.0%	15.4	24.8	26.8
2023	7.77	7.03	12.71	15.39	0.2	60	\$4,003,370,584	\$4,999,890,906	0.0%	14.1	19.6	21.3
YTD 2024 As of: 6/30/2024	(1.71)	(2.04)	4.54	0.45	N/A	41	\$3,136,718,509	\$3,946,971,087	0.0%	14.2	19.6	21.0

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 – 3/31/24 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. 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 and 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 and the Nuance Concentrated Value Strategy. For more information regarding our Composite list and descriptions and policies for valuing investments, calculating performance, and preparing GIPS® reports, or to obtain a report, please contact client.services@nuanceinvestments.com or 816-743-7080.

Important Disclosures

Nuance Investments, LLC (the “Firm”) is a Registered Investment Adviser. The Firm’s Nuance Mid Cap Value Composite (the “Composite”) is a composite of actual accounts invested in the Nuance Mid Cap Value investment strategy. The creation and inception date for the Composite is 11/03/08. The Composite includes all accounts that have invested in the strategy; including accounts no longer managed by the Firm and are presented in US Dollars. Actual account returns may be higher or lower than the Composite returns due to various factors including differences in portfolio holdings, timing of security transactions, client restrictions, and account inception date. The Primary Benchmark for the Composite is the Russell Midcap® Value Index. The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. The secondary benchmarks are the S&P MidCap 400® TR Value Index and S&P 500® TR Index. The S&P MidCap 400® TR Value Index measures value in separate dimensions across six risk factors. The value factors include book value to price ratio, sales to price ratio, and dividend yield. The S&P 500® TR Index is a market-value weighted index representing the performance of 500 widely held publicly traded large-capitalization stocks. Individuals cannot invest directly in any index. Indices are used for comparison purposes only, do not include the reinvestment of dividends, 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 factors.

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. The Firm’s Disclosure Brochure provides more information on fees, including the standard fee schedule for each strategy.

(1) The Nuance Mid Cap Value Composite is a mid-capitalization value investment product and consists of separately managed accounts in the Nuance Mid Cap Value strategy. Rankings and peer group comparisons are created internally on a quarterly basis 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. 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 funds with monthly net return data from December 2008 to the displayed date. Prior to December 2020, Nuance utilized Zephyr and eVestment for peer group data. For additional performance periods, please visit: <https://nuanceinvestments.com/peer-group-disclosures/>. *Additional Information:* Portfolio composition will vary over time and may change without notice. Over the product life, the Nuance Mid Cap Value Separate Account Product has been classified by Morningstar in the following categories: Mid-Cap Value. Lipper does not provide product level classifications. Current investment style and assigned peer groups may differ from the styles presented. Nuance utilizes fund peer groups due to the limited availability of separate account data. The Nuance Mid Cap Value Composite is compared to various fund peer groups as defined by investment style and constructed in a manner that is similar to the guidelines and classifications of the third party 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-mid-cap-value/>. Lipper’s Fund Classifications have a prospectus-based methodology with diversified funds having an additional portfolio-based classification and are applied to open-ended funds but not to separate accounts. A complete description of Lipper’s fund classification methodology can be found at <https://lipperalpha.refinitiv.com>. 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 Tangible Assets (net income divided by tangible assets), Return on Assets (net income divided by total assets), P/E (price of a company’s stock relative to its earnings per share). Characteristics for P/E and Dividend Yield 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). ROTA and ROA characteristics for the benchmark use FactSet net recurrent earnings (T12M). The weighted average ROTA and ROA number for both the portfolio and the benchmark is displayed. Characteristics calculations use holdings at market close on the stated date, including cash and 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 normalized earnings number is derived internally based on proprietary financial statement analysis. 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 6/30/2024 composite weights of names discussed are as follows: BP (0.0%), CLX (4.8%), CVX (0.0%), HENKY (5.6%), HOOD (0.0%), HR (0.6%), HSIK (2.6%), INDB (0.5%), KMB (2.9%), MMM (6.0%), MWA (2.3%), NTRS (4.4%), NVST (2.7%), PEGRY (2.5%), RGA (2.1%), SHEL (0.0%), STRNY (0.7%), T (0.0%), TTE (0.0%), UUGRY (4.6%), VST (0.0%), XOM (0.0%), and XRAY (6.0%). 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 to minimize the impact of potential errors, we cannot guarantee that errors will not occur. Past Performance is not a guarantee of future results. 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 be profitable or meet its investment objectives, and it may underperform the market. Please contact client.services@nuanceinvestments.com to request a copy of the Firm’s Disclosure Brochure for more information.