

Nuance Mid Cap Value Composite Perspectives



December 31, 2025

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: Jack Meurer, Scott Moore, & Adam West

Name	Title	Experience
Scott Moore, CFA	President & CIO	35 years
Adam West, CFA	VP & Portfolio Manager	20 years
Jack Meurer, CFA	VP & Portfolio Manager	9 years

Peer Statistics¹

1st Percentile Sharpe Ratio

Lipper
Peers: Mid-Cap Value
Ranking vs. Peers: 1 of 65

Morningstar
Peers: Mid-Cap Value
Ranking vs. Peers: 1 of 188

Longer Term Performance Update (through December 31, 2025)

Since Inception Return: The return since inception (on 11/03/2008 through 12/31/2025) is 11.89 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 11.86 percent, the S&P MidCap 400® Value Index up 12.07 percent, and the S&P 500® Index up 14.25 percent.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 12/31/2025 is 0.78 (net of fees) versus the Russell Midcap® Value Index at 0.60, the S&P MidCap 400® Value Index at 0.56, and the S&P 500® Index at 0.86.

Peer Group Returns through 12/31/2025: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 77 out of 188 peer group members (41st percentile) in the Morningstar Mid-Cap Value Funds universe and 29 out of 65 (44th percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Risk-Adjusted Return through 12/31/2025: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 1 out of 188 peer group members (1st percentile) in the Morningstar Mid-Cap Value Funds universe and 1 out of 65 (1st percentile) in the Lipper Mid-Cap Value Funds universe.

Peer Group Returns 11/30/2008 - 12/31/2025	Since Inception APR ¹	Standard Deviation (A) ¹	Sharpe Ratio (A) ¹
Nuance Mid Cap Value Composite (Gross)	13.13	13.52	0.87
Nuance Mid Cap Value Composite (Net)	12.34	13.54	0.81
Morningstar Mid-Cap Value Funds Peer Group (Median)	12.03	17.34	0.61
Peer Group Percentile and Ranking	41st (77 of 188)	1st (2 of 188)	1st (1 of 188)
Lipper Mid-Cap Value Funds Peer Group (Median)	12.06	17.10	0.60
Peer Group Percentile and Ranking	44th (29 of 65)	1st (1 of 65)	1st (1 of 65)

Composite Performance 11/03/2008 - 12/31/2025	APR [*]	TR [*]	Standard Deviation [*]	Sharpe Ratio [*]	15 Year	10 Year	7 Year	5 Year	3 Year	1 Year	YTD 2025
Nuance Mid Cap Value (Gross)	12.67	675.75	13.59	0.83	11.04	9.50	8.99	5.50	6.57	5.22	5.22
Nuance Mid Cap Value (Net)	11.89	588.43	13.61	0.78	10.26	8.75	8.25	4.79	5.86	4.52	4.52
Russell Midcap® Value Index	11.86	584.74	17.62	0.60	10.26	9.77	11.40	9.82	12.26	11.05	11.05
S&P MidCap 400® Value Index	12.07	607.38	19.13	0.56	10.52	10.68	11.95	11.01	11.50	7.58	7.58
S&P 500® Index	14.25	885.20	14.94	0.86	14.05	14.81	17.28	14.42	22.98	17.88	17.88

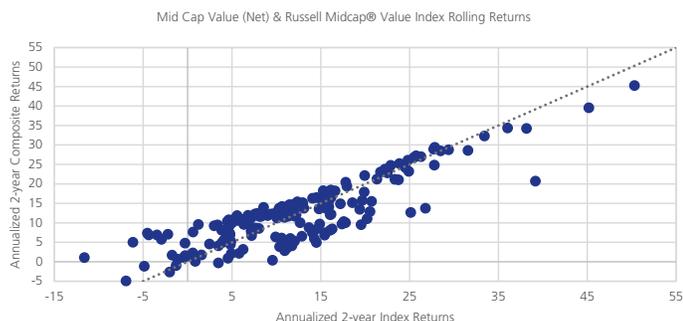
*Since Inception. Returns for periods greater than a year have been annualized.

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 12/31/2025		
11/30/2008 - 12/31/2025	Periods Beating the Index	Composite (%) Annualized Net of Fees	Russell Midcap® Value Index (%)	
Nuance Mid Cap Value Composite	111 / 182	61.0%	5.28	12.04



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 December 31, 2025, the Nuance Mid Cap Value Composite two-year rolling return is 5.28 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 12.04 percent, the S&P MidCap 400® Value Index up 9.61 percent, and the S&P 500® Index up 21.37 percent. Overall, we have outperformed in 111 out of the available 182 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 4.52 percent (net of fees) versus the Russell Midcap® Value Index up 11.05 percent, the S&P MidCap 400® Value Index up 7.58 percent, and the S&P 500® Index up 17.88 percent.

Calendar Year Composite Performance as of 12/31/2025

	11/03/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Nuance Mid Cap Value (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	6.76	5.22
Nuance Mid Cap Value (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	6.07	4.52
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	13.07	11.05
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	11.71	7.58
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	25.02	17.88

Composition of the Portfolio as of 12/31/2025

Portfolio Characteristics ²	Nuance Mid Cap Value Composite	Russell Midcap® Value Index
Weighted Average Market Cap	23.0b	27.7b
Median Market Cap	11.5b	11.9b
Price to Earnings (Normal)*	14.1x	21.3x
Price to Earnings (Ex-Neg Earnings)	-	18.9x
Dividend Yield	2.4%	1.8%
Return on Tangible Assets (Normal)*	9.0%	7.2%
Return on Tangible Assets (Trailing)	6.9%	7.2%
Return on Assets (Normal)*	6.8%	5.6%
Return on Assets (Trailing)	5.1%	5.6%
Active Share vs Russell Midcap® Value Index	96%	-
Upside/Downside Capture Ratio vs Russell Midcap® Value Index	81% / 75%	-
Number of Securities	51	717

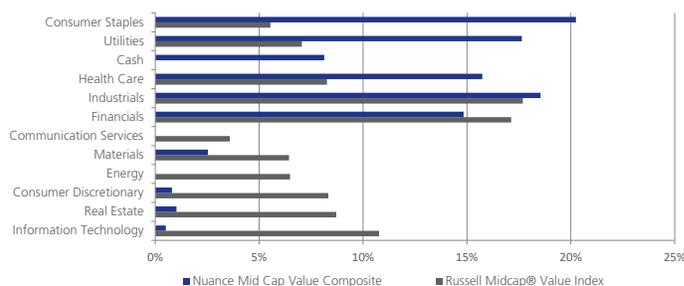
* Based on Nuance normalized earnings estimates.

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 14.1x versus the Russell Midcap® Value Index of 21.3x. We are achieving this ratio with a portfolio of companies that have a return on assets of 6.8 percent versus the Russell Midcap® Value Index of 5.6 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 12/31/2025

The Nuance Mid Cap Value portfolio's sector exposure was mostly unchanged in the quarter. Our largest overweight positions relative to the benchmark remain the Consumer Staples, Utilities, and Health Care sectors. Within Consumer Staples, our largest weights are within Household Products and Personal Care Products industries. Our Health Care weighting declined modestly in the quarter but remains a large overweight as we still believe there are several favorable risk reward opportunities within Life Science Tools, Health Care Equipment & Supplies, and Health Care Providers & Services industries. We remain overweight Utilities and continue to favor the Water Utilities industry. Within the Industrials sector, we are roughly in line with the benchmark weighting, but we slightly increased our weight within the Ground Transportation industry where we still believe there are several attractive opportunities in dedicated trucking companies. We are still

modestly underweight the Financials sector, where we believe there are some attractive one-off opportunities, primarily within the Insurance industry. We remain underweight Real Estate, Consumer Discretionary, Materials, and Information Technology sectors relative to the benchmark, but have small exposures to each sector. We have zero holdings within the Energy sector, which we believe is facing a multi-year period of competitive transition. We also have no exposure to the Communication Services sector due to concerns around competitive uncertainty and high valuations.

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

Dear Clients,

For the calendar year ending December 31, 2025, the Nuance Mid Cap Value Composite was up 4.52 percent (net of fees) compared to the Russell Midcap® Value Index, which was up 11.05 percent, the S&P MidCap 400® Value Index, which was up 7.58 percent, and the S&P 500® Index, which was up 17.88 percent. From our perspective, since-inception performance is the most important barometer of performance, and in the period since inception (November 3, 2008 - December 31, 2025), the Nuance Mid Cap Value Composite was up 11.89 percent (annualized and net of fees) compared to the Russell Midcap® Value Index, which was up 11.86 percent, the S&P MidCap 400® Value Index, which was up 12.07 percent, and the S&P 500® Index, which was up 14.25 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 18 years (including our stub year of 2008) and 10 out of 17 (not including the 2008 stub year). For the calendar year of 2025, the Nuance Mid Cap Value Composite was up 4.52 percent (net of fees) versus our primary benchmark, the Russell Midcap® Value Index, which was up 11.05 percent.
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 December 31, 2025, we have accomplished this goal, as the Nuance Mid Cap Value Composite rose 11.89 percent (annualized and net of fees) between its inception on November 3, 2008 through December 31, 2025 compared to the Russell Midcap® Value Index, which rose 11.86 percent. Further, during the same period, the Nuance Mid Cap Value Composite had a standard deviation of 13.61 percent (annualized and net of fees), meaningfully lower than the 17.62 percent standard deviation of the Russell Midcap® Value Index. As such, our Sharpe Ratio was 0.78 (net of fees) versus the Russell Midcap® Value Index's Sharpe Ratio of 0.60.
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 1³

Peer Group Returns 11/30/2008 - 12/31/2025	Since Inception APR ³	Standard Deviation (A) ³	Sharpe Ratio (A) ³
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Peer Group Percentile and Ranking	44th (29 of 65)	1st (1 of 65)	1st (1 of 65)

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 December 31, 2025, the Nuance Mid Cap Value Composite was up 11.89 percent (annualized and net of fees) versus the S&P MidCap 400[®] Value Index, which was up 12.07 percent, and the S&P 500[®] Index, which was up 14.25 percent. Further, the Nuance Mid Cap Value Composite had a standard deviation of 13.61 percent (annualized and net of fees) during the same time period, which is lower than the 19.13 percent standard deviation of the S&P MidCap 400[®] Value Index and the 14.94 percent standard deviation of the S&P 500[®] Index. As such our Sharpe Ratio was 0.78 (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 0.86. Accordingly, our risk-adjusted returns are on track relative to the S&P MidCap 400[®] Value Index. We are disappointed that our performance lags 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 Attribution⁴

- Our positioning in the Industrials sector was a primary detractor from performance as our holdings within the Ground Transportation industry underperformed, primarily our overweight positions in Werner Enterprises, Inc. (WERN) and Marten Transport, Ltd. (MRTN). We continue to believe that these companies are underearning and undervalued following a multi-year period of cyclically depressed conditions throughout the truckload market.
- The portfolio's overweight positioning in the Utilities sector positively impacted performance. Within the Water Utilities industry, outperformance by our positions in United Utilities Group PLC (UUGRY), Pennon Group PLC (PEGRY), and American Water Works Company (AWK), more than offset underperformance by H2O America (HTO) and California Water Service Group (CWT). Within the Electric Utilities industry, we benefited from strong performance in Portland General Electric Company (POR).
- Within the Information Technology sector, the portfolio was negatively impacted by our underweight position in the sector, as it was the best performing sector within the Russell Midcap Value index in 2025. Stock selection also negatively impacted performance, as Rogers Corporation (ROG) underperformed.
- Stock selection within the Financials sector contributed positively to performance, driven primarily by Northern Trust Corporation (NTRS) and Globe Life Inc. (GL).
- The portfolio's overweight position in the Consumer Staples sector was a net negative to performance, as this was the worst performing sector within the Russell Midcap Value index in 2025. Outperformance by Estée Lauder Companies Inc. (EL) was more than offset by underperformance in Clorox Company (CLX), Henkel AG & Co. KGaA (HENKY), Kimberly-Clark Corporation (KMB), and Beiersdorf AG (BDRFY). We continue to believe that transitory concerns around slower category growth have presented strong risk reward opportunities in the sector.
- The portfolio's overweight position in Health Care negatively impacted performance, as positive attribution from stock selection, primarily from Thermo Fisher Scientific (TMO), Waters Corporation (WAT), and Solventum Corporation (SOLV), failed to offset being overweight an underperforming sector.
- The portfolio saw positive attribution from underweight positions in Real Estate, Energy, and Materials. Our underweight position in Communication Services negatively impacted performance. Consumer Discretionary attribution was roughly neutral.
- Finally, our cash position was a drag on performance in 2025.

Nuance Perspectives⁴

2025 will be looked back on by our team at Nuance as one of our most difficult in the 17 years we have been in business. We would summarize the broad stock market in 2025 as one that has been largely uninterested in concepts other than artificial intelligence (AI), financial speculation, "Mag 7", and profitless companies. Unequivocally a difficult investment environment for our process and investment approach here at Nuance. We have written at length in prior Perspectives about the broad-based risk-seeking behavior that has dominated the market in recent years, rewarding the speculator while inflating valuations for many stocks to historically elevated levels. As one illustration of this, in 2025, the unprofitable businesses within our primary benchmark, the Russell Midcap Value Index (RMV), returned 73.99 percent for the year on a cap-weighted basis, well above the profitable companies at 9.22 percent and the RMV's 11.05 percent total return. Further, the spread between the highest and lowest quality companies (per Bank of America's Managing Director, Head of U.S. Equity & Quantitative Strategy) was also astounding. C&D rated companies as ranked by Standard & Poor's (S&P) in their Quality Rankings (the lowest quality rankings by S&P) were up 34.34 percent while the two highest quality ranking groups, A and A+, were up 5.32 percent and 3.35 percent respectively. Those are but two datapoints highlighting that our Nuance investment philosophy and our time-tested process was significantly out of favor this year and frankly has been since the end of 2022.

³Rankings 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.

Now let's discuss mega cap technology as a concept and AI in more depth as investors continue to reward these companies as they deploy a staggering amount of capital expenditures (capex) on AI associated infrastructure. Certainly this topic and its mosaic are well understood by the marketplace. That said, our team and our process are far from strangers as it relates to the phenomenon of significant capex cycles as it is a point of emphasis within our investment process. In fact significant capex cycles from our process perspective are generally a significant negative for future returns on capital and expected stock price performance.

While we view AI as an important technological innovation that is likely to transform society and businesses in many long-lasting ways, we believe the trajectory of AI infrastructure spending will likely prove unsustainable and the risks associated with the sheer level of spending are being underestimated. In the twelve-month period ending in 3Q25, Amazon.com, Inc. (AMZN), Microsoft Corporation (MSFT), Alphabet Inc. (GOOGL), Oracle Corporation (ORCL), and Meta Platforms Inc. (META) spent a combined \$365 billion in capex which is more than a fourfold increase from levels just five years ago and now equates to approximately 1.2% of total US Gross Domestic Product (GDP). Additionally, capex for the group is expected to continue to increase, exceeding \$600 billion by the end of 2027 per wall street consensus estimates. This investment is primarily directed toward datacenters, power infrastructure, and (rapidly depreciating) computing power used to build and train internal AI models or lease the capacity to companies like OpenAI, Perplexity, Anthropic, Grok, and others. Within our process, this is certainly a significant peak capital spending cycle, the likes of which we have not seen since the late 1990's during the internet bubble era. In our view, this level of capital spending typically (but not always) results in significant amounts of wasted capital, erosion of equity value, increased competition, difficult pricing power, and unclear market share positions going forward due to the sheer magnitude of the technological transition taking place and a chase to be the market share winner going forward. More on that in a bit.

The prospects of AI are clearly transforming these major technology companies in a variety of ways and introducing new risks that our investment approach seeks to avoid. As one example, our on-going reviewing of ORCL and its financial statements (a business we have studied and followed for decades) reveals a company that is undergoing a dramatic fundamental business change which may or may not work out for its investors and for which there is no history or cycle to provide our team with any sense of market share certainty. Essentially, the company is going through a material transition from a database software vendor to a provider of computing resources, most notably to OpenAI. OpenAI has committed to spending \$300 billion over 6 years on ORCL's hosting services and much of ORCL's capital spending plans are in service of this contract. This single customer contract could approximately double the total revenue for ORCL, which might sound fantastic on the surface. However, that size of a shift drives ORCL into a competitive market that has long been dominated by AMZN, GOOGL, and MSFT, who themselves continue to outspend ORCL. So, what are their odds of success? One might wonder how OpenAI, a private company expecting to generate \$13 billion in sales in 2025 will fund this \$300 billion commitment. The results to date for ORCL have been difficult for our process and team to swallow. Negative annualized free cash flow for a company that has generated positive free cash flow for each of the last 30 years. On top of this, ORCL's net debt to EBITDA ratio is currently approaching 4.0x, which is elevated in our opinion and represents a substantial erosion of financial strength versus the net cash position the business has maintained through most of its history. Finally, ORCL's return on invested capital (as measured by EBTIDAR to Tangible Assets) has fallen to the lowest levels in 30 years. All quite logical when you are spending almost seven times current depreciation expense on a brand-new business, one without a track record of success. It might just work, but it might not and the stakes are enormous and include a prospect of bankruptcy or close. As we have said since the firm's inception, our process focuses on avoiding companies that have decided to significantly move away from their core businesses and are risking significant amounts of capital to do so. Often the change in strategy is due to a company's own competitive flaws that they see in their core business. While these strategies can be successful, at minimum investors to some extent are flying blind on prospective financial performance as there is no history from which to study the range of outcomes. Further, there are no baseline returns on capital for the business and no clear market share winners or losers. In this instance we certainly do not have a crystal ball regarding the future, and it is possible ORCL could emerge as a long-term winner in this space despite being late to enter and competing with three scaled market share leaders. More importantly to us, the uncertain returns on new capital investments, a shifting competitive landscape, substantial capital spending, and a highly leveraged and worsening balance sheet have all combined to create higher levels of investment risk through the lens our investment process.

If these changes introduced by the evolving AI competitive landscape weren't enough, the valuations of these companies introduce additional risk in our opinion. Currently, the enthusiasm around artificial intelligence has resulted in greater than \$1 trillion valuations for MSFT, AMZN, GOOGL, and META, which now represent four of the top ten most valuable companies in the world. Most of these companies have historically benefited from relatively asset light business models and minimal competition in their core businesses. The emergence of AI, however, is blurring these competitive lines and creating a costly arms race among the group which now find themselves increasingly competing in the same, much more capital-intensive domain. Nonetheless, the valuations that the market is assigning to these competing businesses seem to imply success for every one of them, an outcome we believe to be unlikely. One of the key lessons of past technological revolutions is that the builders of the infrastructure seldom capture much of the value created by the technology. Additionally, basic economic theory suggests that competition will result in winners and losers, but for now, it appears the market believes every AI infrastructure company will be a winner.

While this level of spending is introducing new risks among the mega cap technology companies, it is also resulting in cyclically elevated returns on capital and valuations for many small and mid-cap companies with exposure to semiconductors, datacenter, and power supply chains. This includes but is not limited to companies that manufacture nuclear energy components, gas turbine components, HVAC equipment, electrical equipment, construction equipment, construction materials, generators and power systems, thermal management components, fiber and cable, optical and photonic components, hard disk drives, servers, interconnect, semiconductors, semiconductor capital equipment as well as service providers including independent and regulated power producers, construction & engineering firms, distributors, software providers, datacenter real estate investment trusts, and investment firms involved in the funding of it all.

It is a recurring feature of transformative technological changes to be accompanied by large capital expenditure booms as many companies simultaneously chase the prospects of growth or fear being left behind as the new technology threatens their existing business models. This typically results in excess competition, overinvestment, and ultimately a shrinking of the profit pool once the build-out normalizes. As the market finds this new equilibrium, the suppliers who were outsized beneficiaries of the overbuilding period end up selling into a much smaller market reflecting a more normalized or steady state of demand. As one historical example, the telecommunications capex boom that paved the way for internet adoption peaked in the year 2000 at level that interestingly equated to 1.2% of US GDP. Companies that manufactured networking equipment and fiber optic cables including Cisco Systems, Inc. (CSCO), Lucent Technologies Inc. (formerly LU), Nortel Networks Corporation (formerly NRTLQ), Ciena Corporation (CIEN), and Corning Incorporated (GLW) were some of the most prominent beneficiaries of the spending boom. Earnings and valuations expanded rapidly as many investors extrapolated the overspending environment into the future. Ultimately, telecommunications capex was cut in half by 2002 and the transitory nature of the spending cycle revealed itself through significantly lower returns on capital and valuations for the suppliers subsequently resulting in poor stock performance for the aforementioned companies. CSCO's stock, for example, only recently, in December of this year, surpassed its dot-com era peak, more than 25 years later. To emphasize once again, avoiding significantly elevated capital spending cycles is one of the primary risks that our process is designed to sidestep. We do this by avoiding the purchase of even our favorite businesses when they are benefiting from lofty expectations and a transitorily over-earning environment.

The conclusion and opinion we share should be clear to our clients. In today's market, risk aversion is under-appreciated and risk is overvalued. And, in our view, not by a modest amount. As a risk-aware, value-oriented firm that has been out of favor for the last three years, one might wonder if we are due for a reversion toward risk-awareness tendencies and a more high-quality valuation centric group of favored stocks. There is certainly no guarantee how we would perform during such a transition, but we certainly like the nature and set up of our portfolio versus the aforementioned crowd.

2026 Outlook

While the popular approach today may be chasing mega-cap technology stocks or direct beneficiaries of the AI spending boom, we believe significantly more compelling long-term risk rewards exist outside of the AI mania. Despite this speculative environment, we continue to apply the same time-tested approach at Nuance that has served our clients well since the inception of the firm. This approach focuses on identifying leading business franchises that we deem to have durable competitive positions, strong balance sheets, and are run by rational capital allocators. These leading businesses are typically early adopters of new technologies, and in the case of AI, they are likely to utilize the new technology and resulting tools to protect and enhance their competitive moats without risking significant amounts of capital to do so. Once these businesses are identified, we look to purchase them during periods of transitory under-earning when their valuations reflect an attractive risk reward for investment. An example of one such opportunity that we are finding today is Beiersdorf AG (BDRFY). BDRFY is a leading producer of beauty and personal care products including lotions, moisturizers, deodorants, lip balm, and sun care products. Its brands include Eucerin, La Prairie, Coppertone, Chantecaille, and notably Nivea which has been gaining share in recent years within body lotion and facial moisturizer categories. Additionally, BDRFY is a leading producer of tape style adhesives through its Tesa division serving electronics, automotive, industrial, and consumer product end markets. Like its peers, the company is currently facing a weaker consumer spending environment, particularly in Europe, which is a core geography for the business. Beauty products have traditionally been higher growth than many other Household and Personal Care product categories but can also be more discretionary in nature. The beauty industry broadly has seen category growth slow to low single digits this year causing BDRFY's organic revenue growth to decelerate to +2.0% in the first nine months of 2025, down from +6.5% in 2024, +10.8% in 2023, +10.2% in 2022, and +9.7% in 2021. Notably, throughout the company's history, management has run a successful long-term strategy focusing more on revenue growth and market share gains than profitability. Once again, in recent earnings reports, they signaled that margins are likely to be lower in the near term than originally anticipated as they plan to invest more in advertising and R&D to drive long-term growth in the company's brands. This combination of slower revenue growth in the near-term and lower margins has disappointed investors resulting in declining wall street earnings estimates for 2025 and 2026 and a corresponding decline in the stock price. However, we view BDRFY as a market leader in attractive categories with the business now under-earning its long-term potential due to its insistence on protecting market share with higher spending. The company also has a fortress balance sheet, with net cash of close to 4 billion Euros (or almost \$4.00 per ADR share). We believe this cash balance represents an additional source of both under-earning as well as optionality for management to deploy it in accretive ways over time. Not only should the balance sheet allow the company to weather the current deceleration in Beauty categories better than peers, but management could also use it for acquisitions or to repurchase its own shares at attractive prices as they've done historically. With the ADR now trading below \$22, the shares are valued at just 15x our view of mid-cycle EPS of \$1.50, representing a significant discount to our estimate of fair value. We believe this opportunity to own what we view as a high-quality company with a strong balance sheet at an attractive valuation is particularly compelling given the broader market backdrop discussed earlier.

Another opportunity to highlight is Marten Transport, Ltd. (MRTN) which has grown to become a top 5 holding over the course of the year. MRTN is a long-standing and leading provider of temperature-controlled truckload transportation in the United States offering this differentiated service across food, pharmaceutical, and packaged goods industries. Additionally, the business has one of the best balance sheets in the industry and has significant revenue exposure to multi-year dedicated trucking contracts which has resulted in high customer and driver retention over time and a more stable return on capital profile versus its peers in what is a classically cyclical truckload industry. Following a historically tight truckload pricing market and peak return on capital environment in late 2021, many operators expanded capacity, creating oversupply which led to a significant contraction in industrywide pricing for truckload transportation services. The magnitude of contraction can be readily observed in dry-van spot rates (excluding fuel) which capture the current market clearing price for truckload capacity and typically act as a precursor to the contracted rates agreed upon by Marten and its customers. After reaching peak levels of \$3.00/mile at the end of 2021, spot rates fell sharply and have averaged ~\$1.60/mile over the last few years as the market has been plagued by overcapacity. Marten has not been immune to these industry-wide pressures and is now operating at historically trough return on capital levels and is expected to earn \$0.20 per share in 2025 per wall street consensus estimates, a significant reduction from the \$1.35 per share the business earned in 2022. Through this trucking downcycle, there has been a steady stream of capacity exits and bankruptcies of many smaller, poorly capitalized carriers. Additionally, there has been a recent emphasis on stricter enforcement of certain regulations targeting non-compliant carriers which appears to be further rationalizing industry capacity with spot rates rising sharply in the fourth quarter and ending the year at ~\$1.95/mile. We believe we may be in the early innings of a more durable upcycle in truckload fundamentals, providing a path to more normalized or midcycle earnings power for Marten. Additionally, given the business is conservatively financed with a net cash balance sheet, we believe the company is in an advantaged position to capture profitable market share once the cycle turns in its favor and protect against any further difficult market conditions. As of the end of the year, MRTN trades at just 14x our estimate of mid-cycle earnings and represents one of the most compelling risk rewards in the portfolio today.

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 [X!](#) 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
2024	6.76	6.07	13.07	11.71	0.4	29	\$2,337,277,314	\$2,845,896,775	0.0%	14.9	20.0	21.7
YTD 2025 As of: 12/31/25	5.22	4.52	11.05	7.58	0.1	13	\$719,679,863	\$984,290,871	0.1%	13.2	15.6	18.0

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 11/3/08 – 3/31/25 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 1/1/11 through present, Time Weighted Return was compounded on a daily basis. Nuance updated its index performance source from Bloomberg to FactSet effective 12/31/20. 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 1/1/17, 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 11/3/08. 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) (3) 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) Indices and characteristics 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. Basis Point = one hundredth of one percent. As of 12/31/25 composite weights of names discussed are as follows: AMZN (0.0%), AWK (0.5%), BDRFY (3.1%), CIEN (0.0%), CLX (6.2%), CSCO (0.0%), CWT (6.4%), EL (0.0%), GL (2.7%), GLW (0.0%), GOOGL (0.0%), HENKY (4.5%), HTO (3.7%), KMB (1.0%), LU (0.0%), META (0.0%), MRTN (6.0%), MSFT (0.0%), NRTLQ (0.0%), NTRS (0.5%), ORCL (0.0%), PEGRY (1.5%), POR (1.3%), ROG (0.0%), SOLV (4.2%), TMO (1.0%), UUGRY (1.8%), WAT (0.0%), and WERN (4.9%). 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 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.