

Nuance Concentrated Value Long-Short Fund



Second Quarter 2016

Investment Objective

The Nuance Concentrated Value Long-Short Fund seeks long-term capital appreciation by taking long positions in securities priced below, and short positions in securities priced above, our internal view of their estimated intrinsic value.

Portfolio Constraints

- # of Long Holdings: 15 to 35
- # of Short Holdings: 0 to 50
- Long Exposure: 75% to 100%
- Short Exposure: 0% to 100%
- Max Gross Exposure: 200%

Fund Details

Class:	Institutional	Investor
Ticker:	NCLSX	NCLIX
Inception:	12/31/15	12/31/15
Cusip:	56166Y255	56166Y263
Min Invest:	\$1,000,000	\$2,500
Invest Mgmt Fee:	1.00%	1.00%

Process Overview

On the long side of the Nuance Concentrated Value Long-Short Fund (the Fund) investment portfolio, the Nuance Investment Team (the Investment Team) is looking for industry leading businesses with strong and stable competitive positions. Generally, these businesses have leading marketshares within their various areas of expertise, have strong balance sheets and exhibit rational capital allocation policies. The Investment Team is seeking to buy these businesses when they are under-earning their long-term potential due to cyclical and/or transitory issues, and when security valuations offer what we believe to be meaningful upside potential and reasonable support on the downside.

On the short side of the Fund investment portfolio, the Investment Team is looking for large businesses with more commoditized or structurally challenged competitive positions. These businesses may or may not be industry leaders. The Investment Team is seeking to sell these businesses when they are over-earning their long-term potential due to cyclical and/or transitory issues, and when security valuations offer what we believe to be reasonable support on the upside and meaningful downside potential.

Portfolio Managers



Scott Moore, CFA
President & CIO
24 Years of Experience

Chad Baumler, CFA
Vice President
9 Years of Experience

Performance as of June 30, 2016

As of 06/30/16 Inception Date 12/31/15	Since Inception Return	3 YR	1 YR	YTD	QTD	Gross Expense Ratio	Expense Cap
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	6.70	-	-	6.70	2.11	3.70%	1.30%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	6.60	-	-	6.60	2.11	3.95%	1.55%
S&P 500 Index	3.84	-	-	3.84	2.46		
Morningstar Long/Short Equity	-1.78	-	-	-1.78	-0.36		

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made solely based on returns. Performance data current to the most recent month end may be obtained by calling 1-855-682-6233.

The Fund has contractually agreed to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (Excluding acquired fund fees and expenses, leverage, interest, dividend and interest expense on short sales, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.55% of the average daily net assets of the Investor Class and 1.30% of the average daily net assets of the Institutional class through at least August 27, 2017.

General Market Commentary

	3/31/16	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17
Cash	12.4%	13.2%	-	-	-	-	-	-
Long Equities	87.6%	86.8%	-	-	-	-	-	-
Short Equities	30.7%	61.9%	-	-	-	-	-	-
Gross Exposure	118.3%	148.8%	-	-	-	-	-	-
Net Exposure	56.9%	24.9%	-	-	-	-	-	-

The Investment Team believes the market is currently providing ample investment opportunities on both the long and short side of the Fund's investment portfolio. As a point of reference, as of 6/30/16 the median company in the proprietary Nuance long universe, which consists of around 250 industry leaders, was trading at a roughly 15% premium to what the Investment Team would consider to be fair value. Said another way, the universe appears to be approximately 15% overvalued on average according to internal estimates. However, this modest overvaluation is not considered atypical at this stage of the economic cycle but rather quite normal, in the Investment Team's opinion.

As one can see from the table above, the Fund ended the quarter with a net 24.9% long equity exposure. On the long side, the Investment Team continues to find solid investment opportunities across a wide variety of industries, including commercial banks, industrial machinery, capital markets and energy service. On the short side, an equally diverse opportunity set is currently available with attractive short investments to be found within the consumer staples, consumer discretionary and industrials sectors and the real estate investment trust (REIT) and electric utilities industries.

Featured Investment

Short The Coca-Cola Company (KO)- KO is the largest non-alcoholic beverage company in the world with 20% marketshare. For decades KO exhibited many of the attributes we look for in a long candidate, including stable to growing marketshare and what we view as conservative financial leverage. However, for the last decade their competitive position has been eroding in two distinct ways. First, their business model has been facing material structural headwinds as KO has lost global marketshare due to a widespread consumer shift away from sugary drinks towards healthier drinks. This marketshare loss continues today and has resulted in a negative margin mix shift at KO, as revenues from higher margin carbonated beverages (think sodas and diet sodas) have shrunk relative to lower margin still beverages (think bottled water and juices). This mix shift has produced falling EBITDA margins and roughly flat EBITDA for KO over the last five years. Second, over this same timeframe KO has been increasing financial leverage to fund share repurchases in an effort to keep earnings per share growing despite EBITDA being flat. Leverage has increased from the 20 year median of .5x net debt/ EBITDA to over 2.0x net debt/ EBITDA today. The structural headwinds of the business model and the step-change higher in financial leverage have led the Investment Team to conclude that on a prospective basis KO's competitive position has deteriorated from above-average to average.

KO is expected to earn around \$1.95 in earnings per share in 2016 and the Investment Team believes they are over-earning their long-term potential. As of 3/31/16, KO had almost \$47B of gross debt and over \$22B of cash and investments, equating to around \$25B of net debt. Surprisingly, during the first quarter of 2016 this \$25B of net debt didn't cost the company anything. In fact, KO actually earned \$3M of net interest income during the quarter. And this most recent quarter wasn't the first time this counterintuitive phenomenon occurred. KO has actually had a positive earnings contribution from their growing net debt position for the last few years.

You may be wondering how it is possible to generate positive earnings from a large net debt position. We believe this is a valid question. The natural earnings impact of a large net debt position is indeed net interest expense rather than net interest income. The culprit in this case is KO's \$47B of gross debt, on which they are currently paying annualized interest of only 1.2%. This low interest rate is primarily due to the fact that roughly two-thirds of their debt is maturing within the next 5 years with one-third in the form of commercial paper due within 12 months. This is a relatively short duration debt profile, in particular given that the proceeds were used to fund a long duration asset, namely to buy their own stock as highlighted above. If this low interest rate they are currently paying were to normalize modestly higher, whether from rising interest rates in general or from the company extending their debt maturity profile to a more appropriate duration, then we believe interest expense would move higher and the earnings power of the company would reset meaningfully lower.

As of 6/30/16, KO was trading around \$45 per share or 23x the consensus 2016 expected earnings per share. This multiple is very near the last cycle peak of 24x booked in the fall of 2007 and leaves limited room for upside in the stock, in our opinion. From a short seller's perspective this translates into limited downside potential. On the other hand, if earnings per share were to revert lower over time due the higher level of interest expense highlighted above, and the price to earnings multiple were to revert back to the 10 year average of 19x, then we believe a meaningful amount of upside could be generated by shorting KO at these levels. This combination of meaningful upside potential and limited downside potential in a large company with an average competitive position is exactly what the Investment Team is looking for in a short candidate, and underscores why KO is a top short investment idea as of 6/30/16.

You should consider the fund's investment objectives, risks, charges and expenses carefully before investing. For a statutory or summary prospectus, that contains this and other information about the Funds, call 1-855-NUANCE3 (855-682-6233) or visit our website at www.nuanceinvestments.com. Please read the prospectus carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Investments in small and mid-capitalization companies involve additional risk such as limited liquidity and greater volatility than larger capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Short sale of securities involves unlimited risk including the possibility that losses may exceed the original amount invested. However, a mutual fund investor's risk is limited to one's amount of investment in a mutual fund. The Fund is new with no operating history and there can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Trust's Board of Trustees ("Board of Trustees") may determine to liquidate the Fund.

The Primary Benchmark for the Fund is the S&P 500 Index. The S&P 500 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. These indices are used for comparison purposes only and are not meant to be indicative of a portfolio's performance, asset composition, or volatility. The performance of the Fund may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Return figures for all performance shown provided by US Bank.

Nuance Investments, LLC is majority owned by Montage Investments, LLC.

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

Fund holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security. The Coca-Cola Company (KO) represents -3.83% of assets in the portfolio as of 6/30/2016.

EBITDA – Earnings before interest, tax, depreciation, and amortization is a metric used in assessing the operating earnings of a company.

Duration – measured in years, it is a way of measuring a bond's price sensitivity to movements in interest rates.

Price to Earnings (P/E) - The P/E Statistics are a Nuance internal calculation. The dollar-weighted harmonic mean of individual company P/E ratios is used. This approach first considers holdings' E/P, which are then summed on a dollar-weighted basis across the entire portfolio to achieve a portfolio E/P ratio. Finally, the inverse of this ratio is taken to arrive at the Portfolio P/E ratio

Earnings per share (EPS)-portion of a company's profit allocated to each outstanding share of common stock.

Morningstar Long-Short Equity-The Fund has been compared to various peer groups defined by investment style. The Fund is an all market capitalization value investment style. The Morningstar Long/Short Equity Peer Group (as selected by Morningstar) has been presented as an investment strategy with a similar investment style.

GIPS Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites, which is available upon request. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

The definition of the firm is the foundation for firm-wide compliance and creates defined boundaries for determining the assets of the firm. In this instance, the firm is defined as Nuance Investments, LLC (Nuance), a majority owned subsidiary of Montage Investments, LLC ("Montage"). Montage is a wholly owned subsidiary of Mariner Holdings, LLC. Nuance founded on November 1, 2008, was formed on the belief that the ability to outperform the broad stock market is predicated on a consistent and disciplined value investing approach. The Investment Management Team selects securities for the Nuance investment portfolios by using an extensive quantitative screening and fundamental research process that identifies leading businesses selling at a discount to fair value and that have the potential to generate above-average rates of returns over time. The Investment Management Team seeks to identify companies across a range of industries and market sectors that have leading and sustainable market share positions, above-average financial strength, and are trading at a discount to their internal view of intrinsic value. The Investment Management Team may sell an investment when it believes it has surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. For the short side, the Investment Management team seeks to identify companies across a range of industries and market sectors that have average to below average competitive positions and unattractive risk reward profiles. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Nuance. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets. Surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets.