

Nuance Concentrated Value Long-Short Fund



Fourth Quarter 2020

Objective

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

Portfolio Constraints

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

Fund Details

Class:	Institutional	Investor
Ticker:	NCLSX	NCLIX
Inception:	12/31/15	12/31/15
Cusip:	56166Y255	56166Y263
Min Invest:	\$10,000	\$2,500
Invest Mgmt	1.00%	1.00%

Process Overview

On the long side of the Nuance Concentrated Value Long-Short Fund (the Fund) investment portfolio, the Nuance Investment Team is looking for industry leading businesses with strong and stable competitive positions. Generally, these businesses have leading 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



Chad Bauml, CFA
Vice President & Co-CIO
14 Years of Experience

Scott Moore, CFA
President & Co-CIO
30 Years of Experience

Darren Schryer, CFA, CPA
Associate Portfolio Manager
5 Years of Experience

Performance as of December 31, 2020

As of 12/31/20 Inception Date 12/31/15	Since Inception Return	5 YR	3 YR	1 YR	YTD	QTD	Gross Expense Ratio	Net Expense Ratio
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	6.16	6.16	5.45	6.22	6.22	9.02	3.46%	3.34%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	5.85	5.85	5.18	5.92	5.92	8.96	3.71%	3.59%
S&P 500 Index	15.22	15.22	14.18	18.40	18.40	12.15		
Morningstar Long/Short Equity	4.49	4.49	3.29	5.54	5.54	7.79		

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

The Fund has contractually agreed to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (Excluding acquired fund fees and expenses, leverage, interest, dividend and interest expense on short sales, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.55% of the average daily net assets of the Investor Class and 1.30% of the average daily net assets of the Institutional Class through at least 08/28/2021. Net expense ratios are as-of the Fund's most recent prospectus and are applicable to investors. Returns for periods greater than a year have been annualized.

General Market Commentary

	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20
Cash	17.4%	16.9%	14.4%	15.0%	6.2%	10.1%	14.3%	14.2%
Long Equities	82.6%	83.1%	85.6%	85.0%	93.8%	89.9%	85.7%	85.8%
Short Equities	98.3%	99.3%	100.9%	99.7%	58.1%	85.9%	98.7%	98.9%
Gross Exposure	181.0%	182.5%	186.6%	184.7%	151.9%	175.8%	184.4%	184.8%
Net Exposure	-15.7%	-16.2%	-15.3%	-14.7%	35.8%	4.1%	-13.0%	-13.1%

The Investment Team believes the investment opportunity set became skewed to the short side of the Fund's investment portfolio during the fourth quarter 2020. As of 12/31/20, the median company in the Nuance proprietary long universe, which consists of approximately 250 companies we view as industry leaders, was trading at a greater than 35 percent premium to what we would consider to be fair value. In other words, our long universe appeared to be overvalued by greater than 35 percent on average based on our internal estimates. Furthermore, according to our company-by-company valuation work, the same universe had more than 65 percent downside potential. This implies that if our list of 250 companies were all to trade down to their historic trough valuation multiples, then the average stock in our long universe could go down by more than 65 percent.

As one can see from the table above, the Fund ended the quarter with a net -13.1% short equity exposure. On the long side of the portfolio, the Investment Team believes attractive long equity investments with reasonable risks and rewards could still be found as of 12/31/20, even though many of the stocks in our Nuance long universe were overvalued. Sub-industries we believe were under-earning and undervalued include Property & Casualty Insurance, Health Care Supplies, Health Care Equipment, and Distillers & Vintners. Our readers may not be surprised to learn that each of these sub-industries has been negatively affected by the coronavirus pandemic. On the short side of the portfolio, the Investment Team believes overvaluation is widespread allowing for attractive potential short investment opportunities in sub-industries such as Specialty Chemicals, Industrial Machinery, Railroads, and Homebuilding.

Featured Investment¹

Short Cummins Inc. (CMI) - CMI is the world's largest manufacturer of diesel engines for commercial vehicles, with an estimated 22 percent global market share. Historically, the Investment Team has held a skeptical view of CMI's business model, as the company has generally not met our long investment quantitative screening criteria. CMI's low median returns on capital during the last 20 years has generally deterred us from considering CMI as a potential long investment, given our view that low returns generally indicate a more commoditized product set. The future of CMI's business model looks even less attractive given decreasing competitive certainty for diesel engine manufacturing. During the last economic cycle, alternative drivetrain technologies for commercial vehicles saw very scattered adoption rates and took limited market share. Going forward, the Investment Team believes the tide has turned, and numerous technologies, including both battery electric systems and fuel cell systems, have the potential to disrupt and displace diesel engines, and in the process take meaningful market share from incumbents like CMI. In fact, according to CMI's own investor presentation, alternative drivetrain technologies are estimated to increase from a 2018 global market share in the low single digits to an approximately 20 percent global market share in 2030. This is a competitive transition the Investment Team believes is likely to occur and one that CMI will have difficulty navigating it in an economically neutral way. When CMI's more commoditized business model and returns on capital are combined with the possibility of a major competitive transition, it leads the Investment Team to conclude that CMI's overall competitive position is below average.

CMI is expected to earn around \$11.50 per share in 2020 and the Investment Team believes the company is modestly over-earning its long-term potential. It may seem odd to our readers that an engine manufacturer could be over-earning during a coronavirus-induced recession. However, we have two key reasons to believe this is the case. First, after two months of very bad sales during April and May 2020, U.S. commercial truck and engine manufacturers saw sales pick up dramatically. This was driven by stimulus-driven spending and greater demand for transportation and logistics assets in a coronavirus economy where freight markets are tight due to increased shipping demand. Second, and from a bigger-picture perspective, commercial trucks generally experience a two- to four-year supply/demand cycle, which can be seen by looking at North American Class 8 Net Truck Orders over time. The last truck order cycle peaked in the third quarter of 2018, and we note that the industry "under-ordered" during 2019, making 2020 as a logical year for a potential cyclical order pick-up. This is exactly what occurred during the fourth quarter of 2020, as orders increased to more than 40,000 trucks per month – an elevated level that has only been seen five times in the last 25 years and each time proved to be a transitory high. If commercial truck orders were to revert to their longer-term averages and the general demand for coronavirus-related transportation and logistics assets were to normalize, then we believe CMI's earnings per share would likely trend down to what we would consider more normal levels.

As of 12/31/20, CMI was trading near \$225 per share or roughly 20.0x its expected earnings for 2020. Compared to the last 15 years of CMI's valuation history, this multiple equates to an 85th percentile observation, meaning that the Price-to-Earnings (P/E) multiple has been higher only 15% of that time. Upon further review, we see only two time periods when the P/E multiple was higher than it was on 12/31/20, and during both of those periods, CMI was likely under-earning its long-term potential, in our opinion, making its high multiple at the end of December even more of an outlier. Examined from a slightly different perspective, CMI was trading at around 4.3x its book value per share of \$52, which represents a 93rd percentile observation. This compares to CMI's 15-year median Price-to-Book (P/B) ratio of 3.1x. Both valuation metrics suggest that CMI was overvalued at the end of 2020. If CMI's earnings per share were to trend lower, as discussed above, and CMI's P/E and P/B multiples were to return to their long-term median levels, we believe attractive upside could be generated by selling CMI's stock short at its share price on 12/31/20. The combination of a company with a commoditized and uncertain competitive position, over-earnings, and an expensive valuation is what the Investment Team looks for in a short investment and explains why CMI was a top short position in the Fund at the end of the fourth quarter 2020.

¹The securities identified and described do not represent all of the securities purchased or sold for the portfolio. The reader should not assume that an investment in the securities identified was or will be profitable.

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

Mutual fund investing involves risk. Principal loss is possible. Investments in small and mid-capitalization companies involve additional risk such as limited liquidity and greater volatility than larger capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Short sale of securities involves unlimited risk including the possibility that losses may exceed the original amount invested. However, a mutual fund investor's risk is limited to one's amount of investment in a mutual fund. The Fund is newer with limited 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 calculations for the Fund are provided by US Bank. Return calculations for all indices are provided by FactSet. Prior to 12/31/2020, return figures for all indices were provided by US Bank. Returns for periods greater than a year have been annualized.

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.

Earnings per share = The amount of Net Income, less any preferred dividends, allocated on a per share basis of common stock.

Price to Earnings ratio = The Price to Earnings ratio measures the price of a company's stock in relation to its earnings per share.

Price to Book ratio = The Price to Book ratio measures the price of a company's stock in relation to its book value per share.

Book value = Book Value, also referred to as Shareholders' Equity, is the value of the company's total assets after all liabilities have been paid.

As of 12/31/2020, portfolio weights of names discussed are as follows: Cummins Inc. (CMI) -4.0%.

Earnings growth is not representative of the Fund's future performance.

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®). 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. The U.S. Dollar is the currency used to express performance returns and assets. The firm maintains a complete list and description of composites and broad distribution pooled funds, which are 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). 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. 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.