Market Review

The broad global surge in equity prices during the first quarter brought most markets close to even relative to September 30, 2018 levels. The worst December S&P 500 performance since 1931 preceded the best January performance since 1987. It is difficult to pinpoint the factors depressing fourth quarter performance, which seemed to reflect increasingly nagging concerns that finally eroded investor confidence. However, the first quarter turnaround is easier to understand. It reflects the following clearly positive fundamental surprises:

- The Fed went from being decidedly hawkish (seeking rate hikes) in December to dovish in January. The European Central Bank loosened monetary policy as well.
- As the quarter progressed, government bond rates declined and credit spreads narrowed (high yield spreads declined from 5.0% to 3.8%), making equities more attractive on a relative basis.
- In U.S. trade talks with China, a positive resolution appeared increasingly likely.
- U.S. corporate earnings were strong. In January, with 50% of the S&P 500 companies reporting, 70% had beaten profit expectations (note: expectations had been depressed in late '18 and year-over-year comparisons were not compelling).
- Oil prices surged, with Brent Crude up 27% and West Texas Intermediate up 32% during the quarter.

Though we are not narrowly focused Fed watchers, this change in monetary policy demands consideration. At the December FOMC meeting, the Fed hiked the Fed Funds rate and signaled they would raise that benchmark rate at least three more times in the coming year, along with reductions in balance sheet bond exposure of up to $50 billion per month. Just six weeks later, at their January meeting, they announced a pause in rate hikes ("patience") and suspended their unwinding of the balance sheet. This was *big*. Investor sentiment shifted toward a mindset that economic and credit cycles would be extended. Educated interpreters suggested four main reasons for such an important policy change: the December appointment of Richard Clarida, who has a clear history of being dovish on monetary policy, and was appointed as Fed Vice Chairman and a voting member of the FOMC; with data in, U.S. core inflation had unexpectedly stopped rising toward the Fed's 2% target; President Trump seems to be leaning harder on the Fed than any President in memory (perhaps an understatement); and growing concerns over the U.S.-China trade talks and slowing economic activity in Europe, China, and Japan.

The broad U.S. equity market was up each of the three months in the quarter, though at declining rates—January 8%, February 3%, March 2% (approximately). Investor sentiment briefly soured in March as the yield curve inverted (10-year Treasury rates below 3-month T-bill rates), which historically has been a lead indicator of a recession. While most equity returns followed this general pattern, there were a few notable exceptions, including negative returns on several of the large pharmaceutical stocks, as well as Kraft and Coca-Cola, which declined based on indicators that consumer preferences are changing. Energy and Industrials, which were among the most significant Q4 casualties, were the best performers in Q1, along with Technology. Health Care and Financials were the laggards, although each one was just slightly below double digit returns. Sector performance spreads tend to narrow as the time horizon extends; however, it is worth noting that the annualized return over the past seven years for Energy is essentially flat in comparison to the 17% return for Tech.

Growth indices edged value in each month during the quarter, giving the Russell 1000 Growth index slightly more than a 4% edge (16.1% vs 11.9%). Foreign stock markets followed the exact trajectory of U.S. stocks, with slightly less outsized results. EAFE and Emerging Market equites were positive for each month and both finished the quarter with returns between 9% and 10%.

Russell Index Returns—*As of March 31, 2019*

	Quarter to Date	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	14.6	14.6	2.1	12.9	7.1	15.4
Russell 2000 Value Index	11.9	11.9	0.2	10.9	5.6	14.1
Russell 2000 Growth Index	17.1	17.1	3.9	14.9	8.4	16.5
Russell 2500 Index	15.8	15.8	4.5	12.6	7.8	16.2
Russell 2500 Value Index	13.1	13.1	1.8	9.9	6.0	15.0
Russell 2500 Growth Index	19.0	19.0	7.5	15.6	9.7	17.5
Russell Mid Cap Index	16.5	16.5	6.5	11.8	8.8	16.9
Russell 1000 Index	14.0	14.0	9.3	13.5	10.6	16.1

Sources: Russell Investments.

Small- and Mid-Cap Market Review

Small cap stocks slightly edged large caps for the quarter (Russell 2000 14.6% vs. Russell 1000 Index up 14.0%), but the trajectory is worth examining. For the first two months of 2019, small caps led the market, with the Russell 2000 outperforming the Russell 1000 by nearly 5%. Things changed in March, as some of the more cyclical sectors, including Financials, saw the mid- and small-cap stocks generate negative returns (Russell 2000 down 2%, Russell 2500 down 0.8%). Many observers suggested that the inverted yield curve had a more significant impact as one moved down the cap size spectrum.

Growth outperformed value in each of the three months, and the end result was pronounced. In the small cap arena, the Russell 2000 Growth was up 17% while the Russell 2000 Value was up 12%. Similarly, in the mid cap space, the Russell 2500 Growth was up 19% and the Russell 2500 Value was up 13%. Sector spreads within both indices were meaningful, as Tech was the leader (Russell 2000 Value Tech 19.6%; Russell 2500 Value Tech 21.1%) and both Consumer Staples and Discretionary, as well as Financials, were laggards in both indices, with returns in the high single digits.

Portfolio Strategy and Key Exposures

Posted performance can be deceiving. While our absolute results in Q4 2018 were painful, our relative performance was not as weak as the numbers indicated. Similarly, while we were quite pleased with the absolute and relative results in this first quarter, it is not yet time to pat ourselves on the back. Examining the specifics explains why.

In a strong market, our Small Cap and SMID Cap portfolios generated an excess return of 6.3% and 5.8%, respectively. In the Small Cap portfolio, 60% of assets, and 34 of our 60 holdings, are invested in three sectors: Industrials, Financials, and Consumer Discretionary. We had a solid quarter in Financials, with a near benchmark average weight of 25.9%. In this sector, we outperformed the Index 13.2% vs. 8.0%. Industrials results were similarly positive, at 16.4% vs. 10.5%, with a significant overweight at 20.6%. Consumer Discretionary stocks continue to pull performance down, as we are slightly overweight at 12.6%, and three of our nine investments were down double digits (e.g., Ascena Retail Group, Inc. -57%), which cost the portfolio 2.3% in performance. Our Tech positions were the major driver, with only a 4.8% sector weight at quarter end and one holding (Diebold Nixdorf, Inc.) that essentially quadrupled. This added 5.0% to portfolio performance. Overall, our stock selection was positive in 8 of the 11 sectors.

The SMID Cap portfolio is similar in terms of structure and results, with 52% of assets and 25 of 49 holdings in Consumer Discretionary, Industrials, and Financials. Stock selection was favorable in Industrials and Financials. Diebold Nixdorf is a holding in this portfolio as well, and our Tech exposure accounted for 5.7% of performance. In addition, Consumer Discretionary stocks cut into performance by 2.1%, as we held the same three investments that were negative performers in our Small Cap strategy (Signet Jewelers Ltd., The Michaels Companies, Inc., and Ascena). Real Estate is worth noting, as it has a larger weight in the SMID benchmark than Small Cap. Although we are underweight in this sector, favorable stock selection resulted in a positive contribution. As in Small Cap, we had positive stock selection in 8 of the 11 sectors, with Consumer Discretionary performance neutralizing much of that advantage.

Strategically, we have been somewhat more contrarian than usual. Financials were the first to get hit in mid-2018 and, at that time, we added to several regional bank stocks. We are bullish on the investments we own in the Energy sector. Simply put, we believe the stock prices have not yet caught up with the commodity (WTI over $60) and we should see positive returns on these investments over the next 12 months.

Our thesis in Industrials is purely based on company-by-company assessment. Our three largest holdings in the sector—Beacon Roofing Supply, Inc., KAR Auction Services, Inc., and Stericyle, Inc.—are solid businesses and are much less dependent on macro factors than are most Industrials.

As a group, Specialty Retailers all had a bad quarter due to weakness from December through March. We believe we have been discriminating in terms of identifying and owning the survivors, which are priced to be great values, yet they have fallen in price along with the rest of the group. These holdings have significant potential to add value going forward. Ascena, which will be profiled later, is a prime example: now a $1 stock after some temporary disappointment, the management team is strong and is improving performance and exiting underperforming segments.

Small Cap Value Equity Performance—*Through March 31, 2019*

	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SCV Equity Composite (Gross)	18.2%	18.2%	0.8%	6.0%
Sapience SCV Equity Composite (Net)	18.0%	18.0%	0.2%	5.4%
Russell 2000 Value Index	11.9%	11.9%	0.2%	7.6%
Russell 2000 Index	14.6%	14.6%	2.1%	10.1%

Sources: Advent Geneva, Russell Investments.
NOTE: The complete GIPS compliant presentation and additional disclosures can be found at the end of the document.

Small Cap Value Equity Characteristics and Sector Weights—*As of March 31, 2019*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	30.1%
Active Share [1] (relative to the Russell 2000 Value Index)	95.8%
Tracking Error [2]	6.8
Number of Buys	6
Numbers of Sells	7

[1 and 2] Please see disclosures for calculation

Sources: Russell Investments, FactSet.

Small Cap Value Equity

Detailed below is our discussion of overall top and bottom contributors during the first quarter.

Top and Bottom Contributors
First Quarter 2019

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Diebold Nixdorf, Inc.	Ascena Retail Group, Inc.
Syneos Health, Inc.	MEDNAX, Inc.

Stericycle, Inc.	Natus Medical Inc.
OUTFRONT Media Inc.	The Michaels Companies, Inc.
Knight-Swift Transportation Holdings Inc.	Signet Jewelers Ltd.

Diebold Nixdorf, Inc.

Diebold Nixdorf, Inc. continued its margin recovery trend that started in the third quarter of 2018. In February, Diebold reported better than expected operating profits (adjusted EBITDA of $127 million vs. $94 million expectations), riding on the back of an improved services margin and better than expected fourth quarter revenues ($1.29 billion vs. $1.22 billion expectations). To that end, during the earnings call, management provided guidance for 2021 margin expectations and the initial steps to be taken towards this goal. Management forecasts better profitability for 2019 (adjusted EBITDA of $380 to $420 million vs. $340 million expectations), which should help address the stressed leverage condition that prevailed for most of 2018. The headline leverage ratio should move from more than 6x to approximately 4.5x at the end of fiscal year 2019. While the company's stock price ran up on news of its operational improvements, the anticipated reduction in leverage led to further gains in the quarter. These are the early days of Diebold's cost savings program under the firm's new management, and we believe that the continued appreciation in Diebold's stock price is predicated on improving operating performance, reduction of leverage, and refinancing of expensive debt over time.

Syneos Health, Inc.

Shares of Syneos Health, Inc. traded down twice in late February. In the first instance, shares declined on disappointing results reported by a competitor. Although the competitor was impacted by several company specific issues, an overlap in the customer base drove weakness in Syneos' shares. Two days later, Syneos reported that it was delaying its earnings conference call and filing of its 10-K. The company had received a notification from the SEC that the agency was investigating the company's revenue recognition policies, sending its share down approximately 25%. We felt the reaction was too severe, and we meaningfully added to our position. Nineteen days later, the company reported results and filed its 10-K. Management had identified weaknesses in its clinical ASC 606 accounting, but the errors were not material, and it was determined that there was no need to restate historical financials. The weakness was identified internally prior to any communication from the SEC. Syneos expects to complete its remediation work by the end of 2019. Additionally, the company provided solid guidance for 2019. Based on these results, the shares recovered most of the decline that they had experienced over the prior weeks.

Stericycle, Inc.

Much of the gains in Stericycle, Inc.'s stock price can be attributed to a positive rerating due to a change in the company's top management and associated reset in profit expectations. As part of its fourth quarter 2018 earnings call, Stericycle announced the departure of its CEO and the ascension of the recently appointed (October 2018) COO from UPS. The company is also replacing its CFO. The CEO designee has also recruited new people for the company's second tier of leadership. Additionally, management has reset profit guidance for 2019 by guiding adjusted EBITDA below expectations. The management team has attributed this to heavy expenditures for its Enterprise Resource Planning (ERP) implementation and business transformation initiatives. We believe in the underlying strength of Stericycle's business, especially its medical waste hauling segment, which has been buffeted by legal issues in the recent past. We believe Stericycle's profitability will improve in the coming years, as a result of ERP implementation and business transformation initiatives.

OUTFRONT Media Inc.

OUTFRONT Media Inc. is a leading player in the outdoor advertising industry, specifically billboards and transit. OUTFRONT's shares appreciated approximately 31% in the first quarter of 2019, from what we believe to have been oversold levels. The company delivered solid fourth quarter performance and issued equally impressive guidance for the first quarter of 2019 due to strong growth across its billboard and transit portfolio. After what had been a period of muted growth, management's investments in a national salesforce and digital outdoor displays fueled a turnaround in revenue and profitability. The company is also well positioned to consolidate in what is still a fragmented industry.

Knight-Swift Transportation Holdings Inc.

Shares of Knight-Swift Transportation Holdings Inc. declined significantly at the end of 2018 due to cyclical concerns. The company reported fourth quarter earnings results that were 27% higher than the initial guidance. After some challenges with the Swift integration, Swift appears to be on better footing and Knight is delivering on the benefits of the merger. Although Swift's revenue has declined, profitability has improved significantly as Knight has shed unprofitable businesses. Swift Refrigerated, which was one of the underperforming businesses, has begun to see sequential momentum in margins. Swift's truck count also appears to be stabilizing, addressing another area of concern. With net leverage at 0.8x, the company has a strong balance sheet to deploy capital for growth or to repurchase shares, if the opportunity arises.

Ascena Retail Group, Inc.

Ascena Retail Group, Inc. is a leading national specialty apparel retailer for women operating in the Premium Fashion segment (Ann Taylor and LOFT), Plus Fashion segment (Lane Bryant, Catherine's, and Cacique), and Value Fashion segment (Maurices and Dressbarn), and for tween girls under the Kids Fashion segment (Justice). Ascena has undertaken a major turnaround to reduce its cost structure and become more responsive to its customer base. In the past year, management has made demonstrable progress in their Premium and Kids segments. The performance in the Value and Plus segments—Lane Bryant specifically—has been abysmal. The stock price dropped 57% during the quarter, as the company announced weaker than expected performance at Lane Bryant and Justice for the fiscal second quarter and bleak guidance for the fiscal third quarter. Investors have been disappointed with the inconsistent performance over the last two years, but we feel that improvements delivered in both the Premium and Kids segments have been under recognized. In late March, management announced that they had sold more than a 50% interest in Maurices to a private equity firm and will use the proceeds of $200 million to reduce debt. Recent media reports indicate that Ascena is also trying to sell Dressbarn. We welcome management's decision to finally divest the Value segment and focus on the healthy parts of their portfolio. We believe that the intrinsic value of Premium, Kids, and Cacique (part of the Plus segment) is far greater than the current enterprise value.

MEDNAX, Inc.

MEDNAX, Inc. has been under pressure from a variety of factors. The company's payor mix within its anesthesiology segment (35% of total revenue) has been shifting towards lower rate reimbursement government payors. A decline in the number of births at MEDNAX-covered hospitals has further pressured margins in the neonatology business and a lost anesthesiology contract in mid-2018 will continue to have an impact in 2019. Additionally, continued increases in salaries and benefits could lower margins in the near term. Despite these headwinds, MEDNAX retains a strong position in neonatology and anesthesiology while building out a radiology franchise. The company has a solid balance sheet and a long history of generating free cash flows, which we believe is under appreciated.

Natus Medical Inc.

Natus Medical Inc. provided initial sales and earnings guidance for 2019 that was well below expectations. With a new CEO taking over in mid-2018, management is taking actions to improve profitability. The company is pruning several smaller product lines as well as exiting several product lines that, while large in size, were expected to be unprofitable. These changes will result in lower sales going forward. Management is also changing its management structure by unifying the operations, research and development, and administrative functions within each of its segments. A facility consolidation is also in progress. These changes should result in meaningful cost reductions and margin improvement. While Natus has operational issues, management is being proactive in rectifying these issues, and the company remains the leader in most of its key markets. Additionally, the company has a strong balance sheet, with net leverage of only 0.7x.

The Michaels Companies, Inc.

The Michaels Companies, Inc. is the largest specialty retailer of arts, crafts, framing, and seasonal merchandise in North America. The stock price declined approximately 15% during the first calendar quarter for two reasons: first, in early January, the company negatively pre-announced fiscal fourth quarter sales towards the low range of its previous forecast (comp sales of -0.5% vs. expectations of +0.1%) and second, at end of February, the company announced the sudden departure of its CEO and Chairman, Chuck Rubin, who had held that role for six years. Despite the de-rating in the P/E multiple from 13x to 5x in the last five years, primarily due to the Amazon effect, we maintain that Michaels is not as threatened by Amazon as many investors may believe because of their high private label mix, vertical integration, and arts and craft products being more experiential in nature. While the growth at Michaels has been elusive over the last two to three years (in line with the industry), we still believe in our underlying investment thesis, that Michaels is the leading player in an attractive arts and crafts segment with high margins and stable free cash flows along with a high level of engaged ownership and board representation by private equity firms (Bain Capital and Blackstone).

Signet Jewelers Ltd.

Signet Jewelers Ltd. is a leading global jewelry retailer with over 3,300 stores primarily under the name brands of Kay Jewelers, Zales, Jared, and Piercing Pagoda. The company's share price declined approximately 15% during the first quarter as Signet announced weak sales and comps of -1.3% for the holidays, and as it revised down its guidance for fiscal fourth quarter to same store sales between -1.6% to -2.5%. Management has been trying to turn around the weakness at Kay and Jared banners for the last two years without much success so far.

SMID Cap Value Equity Performance—*Through March 31, 2019*

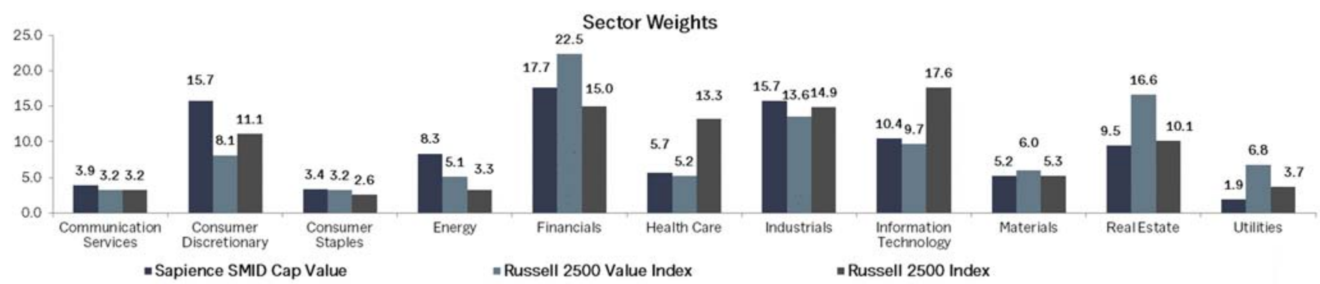
	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	18.9%	18.9%	0.3%	3.6%
Sapience SMID Cap Value Equity Composite (Net)	18.7%	18.7%	-0.3%	3.0%
Russell 2500 Value Index	13.1%	13.1%	1.8%	7.4%
Russell 2500 Index	15.8%	15.8%	4.5%	10.8%

Sources: Advent Geneva, Russell Investments.
NOTE: The complete GIPS compliant presentation and additional disclosures can be found at the end of the document.

SMID Cap Value Equity Characteristics and Sector Weights—*As of March 31, 2019*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	32.0%
Active Share [1] (relative to the Russell 2500 Value Index)	95.3%
Tracking Error [2]	7.8
Number of Buys	2
Number of Sells	4

[1 and 2] Please see disclosures for calculation



Sources: Russell Investments, FactSet.

SMID Cap Value Equity

Detailed below is our discussion of overall top and bottom contributors during the first quarter. Diebold Nixdorf, Inc., Syneos Health, Inc., Stericycle, Inc., OUTFRONT Media Inc., Ascena Retail Group, Inc., The Michaels Companies, Inc., and Signet Jewelers Ltd. are also owned in our Small Cap Value strategy, and these companies were discussed in the Small Cap Value Equity Commentary section above.

Top and Bottom Contributors
First Quarter 2019

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Diebold Nixdorf, Inc.	Ascena Retail Group, Inc.
Syneos Health, Inc.	The Michaels Companies, Inc.

Stericycle, Inc.	Signet Jewelers Ltd.
OUTFRONT Media Inc.	Cars.com Inc.
FleetCor Technologies, Inc.	Sabre Corp.

FleetCor Technologies, Inc.

FleetCor Technologies Inc. delivers payment processing services to commercial fleets, oil companies, and petroleum markets. FleetCor's stock gained nearly 33% in the first quarter, as the company posted strong results in the fourth quarter of 2018 and provided solid guidance for the coming year. Not only is the company enjoying solid 10% organic growth in its core fuel card business, we also believe its new initiative in corporate payments (now 17% of revenue) will grow 24-26% over the next three years. Recently, there has also been M&A in the sector, which highlighted to many investors just how undervalued FleetCor had been at the start of 2019.

Cars.com Inc.

Cars.com Inc. is a leading digital automotive marketplace that connects car shoppers with sellers. The company delivered mixed fourth quarter results and issued a tepid 2019 guidance-revenue growth of -5% to +2% and adjusted EBITDA margin of 30-31% versus 34% in 2018 due to incremental marketing and IT investments. More positive was the year to date 15% to 20% web traffic growth; however, the offset was that dealer churn continues and is not expected to reverse until the third quarter of 2019. The board is in the midst of an ongoing strategic review.

Sabre Corp.

Sabre Corp. has been spending above average capex for the last few years as they are shifting all their IT systems from legacy on premise data centers to a more distributed platform design, primarily in the cloud. They have done all the heavy lifting, and going forward, the increase in topline should lead to higher free cash flow. As part of accounting changes that reflect the implementation of a new standard, ASC 606, they are shifting some expenditures from the balance sheet and instead, expensing them on the income statement. This development is going to artificially make EBITDA margins and EBITDA growth appear weaker for the next two years. Other than this change in accounting treatment, the competitive dynamics in their main business, Global Distribution System (GDS), remains healthy. Sabre had lost a few contracts in their Airline Solutions business in the last one to two years. Going forward, that segment should start to inflect. Growth rates for their Hospitality Solutions business have declined from the high-double digit rates (from a low base), but continue to grow at a healthy clip. The company has guided to $485 million in free cash flow for 2019, which we believe is a conservative 10% growth rate.

Outlook

In the manic-depressive world of financial markets, the first quarter of 2019 stands alongside the fourth quarter of 2018 as a remarkably dramatic turnaround. When Federal Reserve officials declared a halt to their monetary tightening campaign in December, U.S. equities and, more broadly, risk assets retraced much of the year-end sell-off. Indeed, much of the fear, doubt, and uncertainty that weighed upon investors in late 2018 appears to have, at least temporarily, dissipated.

Do we pay attention to macro-economic factors and projections? While this is not a major part of our process, we care a lot about achieving a clear perspective when the potential for significant economic change (growth and interest rates) is highly likely. Each company we follow has an idiosyncratic sensitivity to the economy, which we factor in to our bottom-up estimates and valuations. Although we are currently cautious about a potential slowdown, we are not bearish on the economy. A big part of our strategy (especially in Q4) has been to increase position sizes of holdings that have fallen in price. In a few cases, these were businesses that would not have warranted sizing up if we had serious macro concerns. Many economists are pointing to the inverted yield curve as a strong indicator of an upcoming recession, but we do not believe that U.S. monetary policy is sufficiently restrictive to induce a recession. Secondly, we believe that the inversion happened because of negative yields on the $8.9 trillion of global cash. (This has more to do with the current state of overseas markets than events occurring in the U.S.) Our intensive bottom-up research, which includes detailed discussions with corporate managers, suggests that the economic environment is moderating rather than spiraling towards a recession.

Value managers come in two primary flavors: those who buy stocks that look cheap on an absolute and/or relative basis and count on reversion to the mean to generate returns, and those investors who value businesses on a forward-looking fundamental basis and seek to own them when market prices are below their estimate of intrinsic value. We are firmly in the latter camp, investing in companies with above-average to high quality characteristics. One of the dynamics that has hurt our performance in the last two years is that our definition of quality and value, and the interplay between the two, has not changed, yet valuations in the markets suggest these definitions have changed for a meaningful percentage of other investors.

In sum, excess returns will likely come to those investors who are best able to carefully navigate between the ‘news’ and the ‘noise,’ selecting stocks with a disciplined process that identifies companies with overlooked return potential. We delivered good performance the past quarter, however, as we stated earlier, this isn’t the time to be patted on the back “yet”. In fact, it never is, because complacency is a quality we as a team perpetually avoid. That said, we are optimistic about the portfolio our clients own at this time, as we believe that the quality-value relationship has become more rational within the equity markets over the past several months.

Disclosures

This is not a recommendation to buy or sell a particular security. The holdings discussed above do not represent all of the securities purchased, sold or recommended for Sapience's clients. You should not assume that this or any of the securities or sectors discussed herein will remain in the portfolio or that investments in such securities were or will be profitable. Past performance is not indicative of future results. Contributors and detractors for each strategy are selected based on the stock's attribution to a Sapience Small Cap Value representative account's return or a Sapience SMID Cap Value representative account's return. The calculation methodology and a list showing the contribution of each holding in the representative account to the representative account's performance during the measurement period are available upon request.

Composite and benchmark returns reflect the reinvestment of income. The volatility of the Composite may be different than its respective benchmarks. Composite returns are presented gross and net of actual investment advisory fees. Performance is expressed in U.S. dollars. Gross returns will be reduced by fees and other expenses that may be incurred in the management of the account. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Dividends are recorded gross of withholding taxes.

This has been prepared for informational purposes only and should not be considered a recommendation to purchase or sell any specific security. The opinions expressed herein are those of Sapience Investments, LLC ("Sapience"), and are subject to change without notice. Past performance is not a guarantee or indicator of future results. This material is not financial advice or an offer to sell any security or product. You should not assume that any of the investment strategies or securities discussed herein were or will remain in an account's portfolio at the time you receive this report. Recommendations for the past 12 months are available upon request. Sapience reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Investment involves risk of loss.

This document contains projections, forecasts, estimates, beliefs and similar information ("forward looking information"). Forward looking information is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether or not identified. Further, material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed.

Sapience is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about Sapience, including our investment strategies, fees and objectives can be found in our ADV Part 2, which is available upon request at info@sapienceinv.com.

[1] Portfolio Ending Active Share: Measures the degree of active management by a portfolio manager.
$AS_f = | PW_f - BW_f | / 2$ where AS_f := Portfolio Ending Active Share; PW_f := Portfolio Ending Weight; and BW_f := Benchmark Ending Weight

[2] Tracking Error: Measures how closely a portfolio follows the index it is benchmarked against. An index fund which closely tracks its benchmark will have a tracking error close to zero, while an actively managed portfolio will have a higher tracking error. Tracking Error is calculated as the root-mean-square of the difference between the portfolio and benchmark returns: $TE = \omega = \sqrt{E[(r_p - r_b)^2]}$ where $r_p - r_b$ = the active return (i.e., the difference between the portfolio return and the benchmark return). This formula simplifies to: $TE = \omega = \sqrt{\sigma_p^2 + \sigma_b^2 - 2\beta\sigma_b^2}$ where σ_p^2 = portfolio variance; σ_b^2 = benchmark variance; and ß = Historical beta

Sapience Investments, LLC
Small Cap Value Equity Composite

As of December 31										
Year	Gross Returns (%)	Net Returns (%)	Russell 2000® Value Index (%)	Internal Dispersion (%)	Composite 3Y Std Dev (%)	Primary Index 3Y Std Dev (%)	# of Accounts	Composite Assets (000s)	Firm Assets (000s)
*2016	14.91	14.87	14.07	N/A	N/A	N/A	2	$223.99	$349.83
2017	3.06	2.46	7.84	0.19	N/A	N/A	14	$665.60	$771.66
2018	-17.33	-17.85	-12.86	0.17	N/A	N/A	14	$513.31	$647.68

*Period presented is October 1, 2016 through December 31, 2016.

1. Sapience Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sapience Investments, LLC has been independently verified for the periods October 1, 2016 through December 31, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The Small Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small capitalization companies with sustainable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a two-to four-year investment horizon. The composite was created October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of actual investment advisory fees. Net returns are net of any performance-based fees. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Dividends are recorded net of withholding taxes.
5. Internal dispersion is the equal-weighted standard deviation of the annual gross returns of all accounts included in the composite for the entire year. For years where there are 5 or fewer accounts in the composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation. The three-year annualized ex-post standard deviation of the composite and benchmark is not presented because 36 monthly returns for the composite are not available.
6. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest in these indices. The returns for the Index do not include any transaction costs, management fees or other expenses. The volatility (beta) of the Composite may be greater or less than its respective benchmark.
7. The fee schedule for Adviser's investment advisory services for the Small Cap Value Equity Composite is 1.00% on the first $25 million, 0.90% on the next $25 million, 0.85% on the next $50 million, 0.80% on amounts over $100 million. Actual investment advisory fees incurred by clients may vary.
8. Past performance is not indicative of future results. Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. Registration as an Investment Adviser does not imply any level of skill or training. This material is not financial advice or an offer to sell any product. The portfolio characteristics shown relate to the Small Cap Value Equity Composite. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Adviser reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Sapience Investments, LLC
SMID Cap Value Equity Composite

As of December 31									
Year	Gross Returns (%)	Net Returns (%)	Russell 2500™ Value Index (%)	Internal Dispersion (%)	Composite 3Y Std Dev (%)	Primary Index 3Y Std Dev (%)	# of Accounts	Composite Assets (000s)	Firm Assets (000s)
*2016	9.96	9.83	9.34	N/A	N/A	N/A	1	$22.50	$349.83
2017	1.31	0.74	10.36	N/A	N/A	N/A	8	$106.06	$771.66
2018	-17.44	-17.94	-12.36	0.25	N/A	N/A	10	$134.36	$647.68

*Period presented is October 1, 2016 through December 31, 2016.

1. Sapience Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sapience Investments, LLC has been independently verified for the periods October 1, 2016 through December 31, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The SMID Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small- to mid-capitalization companies with sustainable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a three-to five-year investment horizon. The composite was created October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of actual investment advisory fees. Net returns are net of any performance-based fees. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Dividends are recorded net of withholding taxes.
5. Internal dispersion is the equal-weighted standard deviation of the annual gross returns of all accounts included in the composite for the entire year. For years where there are 5 or fewer accounts in the composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation. The three-year annualized ex-post standard deviation of the composite and benchmark is not presented because 36 monthly returns for the composite are not available.
6. The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest in these indices. The returns for the Index do not include any transaction costs, management fees or other expenses. The volatility (beta) of the Composite may be greater or less than its respective benchmark.
7. The fee schedule for Adviser's investment advisory services for the SMID Cap Value Equity Composite is 1.00% on the first $25 million, 0.90% on the next $25 million, 0.85% on the next $50 million, 0.80% on amounts over $100 million. Actual investment advisory fees incurred by clients may vary.
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