Market Review

Small and SMID caps led the U.S. equity markets in the second quarter. Returns across the Russell 1000, 2500, and 2000 were all positive for each of the three months, with May providing the most significant impact. These relatively sanguine returns occurred despite ongoing volatility that has been attributed to concerns relating to changes in global trade policy and a flattening of the yield curve. These factors have appeared to generate some meaningful changes in sector and style leadership.

The inverse relationship between cap size and performance this quarter was likely due to investor perception that smaller companies were relatively immune to trade war ramifications, as there was a rush of funds into the smaller cap indices and ETFs. Regarding style for the quarter, the continued dominance of growth over value in the large cap markets—R1000 Growth +5.8% vs +1.2% for the R1000 Value—was not the case in smaller cap stocks. Though the margin was narrow, value outperformed growth in both the small and SMID cap passive space.

Though largely anticipated, year-over-year U.S. corporate earnings growth registered a healthy 20%. Consensus expectations remain optimistic beyond the benefits of last year's tax reform and forecast around 10% earnings growth for 2019. The bear case to this scenario comes from pundits who forecast margin pressure coming from wage increases and tighter monetary conditions. That said, the peak in earnings growth rates has not historically been a reliable predictor of lower stock prices over the near term.

Russell Index Returns—*As of June 30, 2018*

	Quarter to Date	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	7.8	7.7	17.6	11.0	12.5	10.6
Russell 2000 Value Index	8.3	5.4	13.1	11.2	11.2	9.9
Russell 2000 Growth Index	7.2	9.7	21.9	10.6	13.7	11.2
Russell 2500 Index	5.7	5.5	16.2	10.3	12.3	10.7
Russell 2500 Value Index	5.8	3.0	11.5	9.8	10.8	10.1
Russell 2500 Growth Index	5.5	8.0	21.5	10.9	13.9	11.4
Russell Mid Cap Index	2.8	2.4	12.3	9.6	12.2	10.2
Russell 1000 Index	3.6	2.9	14.5	11.6	13.4	10.2

Sources: Russell Investments.

Small- and Mid-Cap Market Review

Contrasting price relative to what we believe a company is worth is a defining part of our approach to stock selection at Sapience. While we are value investors, and we are quite comfortable being referred to as a value or "price driven" manager, this label is not a perfect fit in the context of a value equity index, which is by definition, an objectively determined list of relatively cheap and relatively low expectation businesses. We apply value-based selection to a broader, but not too broad, universe of companies across the quality and growth spectrum. We are self-policed in that we will never own a business that we are unable to confidently value—meaning we will not own companies that are not durable businesses or those that are on the aggressive end of the growth spectrum.

Attempting to identify generalized company characteristics that performed well and those that performed poorly this past quarter is pointless. The reason being, results were disparate—cyclical or defensive stocks, a distinct value factor, or momentum did not drive the market. However, we can generalize regarding a distinct change in sector leadership, as the worst performing sectors in the first quarter were the best performing sectors on an absolute basis in second quarter. Energy was the clear leader and was up between 18% and 21% across the four indices. Real Estate was typically the second best performer, generating returns between 10% and 15%. Every sector across all four indices (44 sector metrics in total) generated positive returns; however, Industrials (with an average index weighting between 12% and 16%) was the sector laggard in most cases with returns below 1% for both the 2500 indices and between 3% and 5.5% in the 2000 indices. Financials, which make up a large part of these average index weights (25% and 31% of the value indices), was also a laggard this quarter with returns between 1.5% and 4.5%.

Portfolio Strategy and Key Exposures

Generating excess returns when our stock universe has produced strong absolute results is gratifying, yet, we acknowledge that this is not the time to pat ourselves on the back as 2017 put us in a relative return hole given a few of our investments became out of favor. With that said, our active management and investment discipline began to deliver in the second quarter (with both strategies generating strong absolute returns and SMID generating higher alpha than Small Cap). During the prior few quarters, we had been adding capital to a meaningful number of high conviction though contrarian positions. Several of our Consumer Discretionary (specifically Specialty Retail), Health Care, and Energy holdings rebounded between 30% and nearly 100%. Underscoring our process, we had added to a number of these recent outperformers in the prior quarters, taking advantage of their respective weaknesses (Envision, Syneos, Ascena, Oasis Petroleum, and Signet to name a few). Additionally, we had a few takeover announcements in the quarter, which we will discuss in more detail below.

In assessing our results, stock selection was the primary driver in both strategies. Sector allocation was essentially neutral. Our excess returns were not driven by beta exposure as our portfolios maintain below market risk levels. Last quarter we wrote to you about four primary strategic exposures within our portfolios. Below we revisit these four exposures and their status:

- Our overweight in select Specialty Retailers began to turn positive from a performance perspective. This area was our most significant contributor for the quarter with specific impact from Ascena (+98%) and Signet (+46%).
- Our emphasis on Energy stocks paid off during the quarter in terms of both our sector overweight and our favorable stock selection.
- As of quarter end, we are underweight Technology in Small Cap and slightly overweight Technology in SMID (relative to each strategy's Value Index). Last quarter we stressed that our Tech investments are meaningfully different (more defensive and franchise oriented) than what our peers may own. While we added a little value through stock selection in this sector (37 bps in Small and 73 bps in SMID), the broader sector continued to do well and we still believe that valuation for most companies within the Tech sector remain stretched.
- Our Financials exposure emphasizes select Banks and Insurance/Re-Insurance companies. The Insurance businesses are both value plays—recall the catastrophic weather conditions made many of these companies decidedly out of favor last year—and they currently serve as ballasts in the portfolios. That said, we are early and the flattening of the yield curve did not help our positions. As a result, our stock selection in Financials was the largest detractor in both portfolios during the quarter.

As part of our process, we actively trim and add to positions based on price moves. As mentioned above, we had added to several holdings when prices became increasingly attractive. Our risk control disciplines late in the quarter caused us to pare back on some positions that had advanced in price: EVERTEC, Envision, Ascena, Signet, Syneos, and Oasis Petroleum.

Takeovers

Our readers may be interested in our response to takeovers in our portfolios. Without question, these provide an immediate boost to returns. However, given our long-term mindset, we tend to have three potential reactions:

1. **Heisted.** An attractive business that we believe would add value over several years. Unfortunately, under this circumstance, the potential upside beyond the deal price is "stolen" from us.
2. **Tolerable.** We invested looking to close the valuation gap and expected a higher price. While the deal price is not quite as high as we had expected, it enhances returns and validates our premise.
3. **Gratifying.** We were looking to close the valuation gap and we believe we are receiving a fair or premium valuation.

Over the past several months, five takeovers across both strategies were announced. Below we provide our reaction for each transaction:

- Envision Healthcare Corp.: Heisted (We discuss this takeover in the SMID Cap Value section below.)
- Education Realty Trust, Inc.: Tolerable
- RSP Permian, Inc. : Gratifying
- VeriFone Systems, Inc. : Gratifying
- XL Group Ltd: Gratifying

Small Cap Value Equity Performance—*Through June 30, 2018*

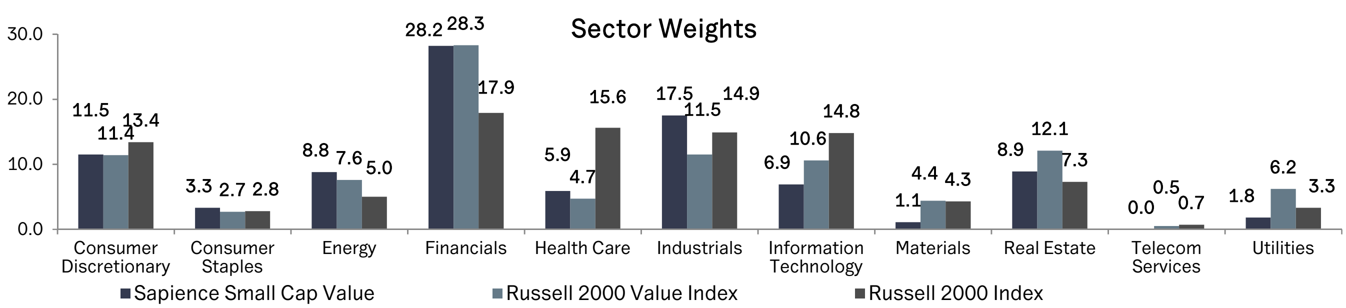
	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SCV Equity Composite (Gross)	9.8%	6.4%	11.0%	14.2%
Sapience SCV Equity Composite (Net)	9.6%	6.1%	10.3%	13.5%
Russell 2000 Value Index	8.3%	5.4%	13.1%	16.1%
Russell 2000 Index	7.8%	7.7%	17.6%	18.4%

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 June 30, 2018*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	25.6%
Active Share [1] (relative to the Russell 2000 Value Index)	95.3%
Tracking Error [2]	4.7
Number of Buys	3
Numbers of Sells	4

[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 second quarter.

Top and Bottom Contributors
Second Quarter 2018

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Ascena Retail Group, Inc.	Diebold, Inc.
Oasis Petroleum Inc.	Aspen Insurance Holdings Ltd.
Signet Jewelers Ltd.	FGL Holdings
Syneos Health, Inc.	Beacon Roofing Supply, Inc.
EVERTEC, Inc.	Knight-Swift Transportation Holdings Inc.

Ascena Retail Group, Inc.

During the quarter, Ascena Retail Group, Inc.'s shares posted a dramatic rally—benefiting from both a general lift in sentiment across the retail sector as well as quarterly results that were better than recent prior quarters. Results by banner continue to be mixed with strong performance at Justice, some improvement in the Loft and Plus segments, significant deterioration in its Value segment (dressbarn and maurices), and some weakness in Ann Taylor. However, Ascena's management team also noted that current quarter sales are running at an improved cadence. We believe that management is executing its turnaround with a sense of urgency and, if successful, significant upside remains.

Oasis Petroleum Inc.

Oasis Petroleum Inc.'s share price rose during the quarter as management continued to deliver stellar well results in their Bakken acreage and steadily converted more of their acreage in Bakken from non-core to core (core locations increased to nearly 600 vs. approximately 480 previously). Additionally, Oasis is on a credible path to decrease its financial leverage. Proceeds from the recently announced sale of their non-core Fairway acreage will be used to reduce its debt load. Furthermore, Oasis has benefitted from the recent oil supply/takeaway capacity issue that has plagued Permian producers in two ways. First, short-term focused capital has been allocating funds away from the Permian region to producers in other basins. Second, Oasis is an indirect way to invest in the midstream infrastructure. The value of this segment has never been more clear than now given the current problems with oil and natural gas takeaways in multiple basins. Oasis can invest in infrastructure projects and receive credit for their investment through their publicly traded subsidiary OMP Midstream Partners (Oasis owns 70% of OMP). As a result of this ownership structure, Oasis does not have the related debt on its balance sheet; however, it continues to own a majority of this attractive asset.

Signet Jewelers Ltd.

Shares of Signet Jewelers Ltd. recovered significantly after the company reported slightly better than expected first quarter earnings while maintaining their annual guidance. Signet continues to work on fixing its credit system integration along with merchandising, and in-store operational issues at its Kay and Jared banners; however, the market appears to be discounting improved performance going forward. We noted last quarter that there was significant upside to its shares if management could reverse the decline in same store sales at Kay while executing its cost-restructuring program—leading to a partial recovery of the company's historical earnings power. We still believe that Signet's business is better than their stock's recent performance and that the company has the potential to leverage its scale within the jewelry industry to drive improved performance over the next 12 to 24 months. Execution by management continues to remain critical.

Syneos Health, Inc.

Syneos Health, Inc. is making progress in moving past their merger with InVentiv Health. The integration of the two companies is evolving and employee retention has remained favorable; management also remains committed to reaching a 3.0x leverage ratio by the end of 2019. During the quarter, Syneos' commercial segment reported a strong 1.4x book-to-bill to start the year, which provided some confidence for an improved outlook after a challenging 2017. Additionally, Syneos' clinical business appears to be seeing improved RFP flows and bidding opportunities for potential partnerships after soft bookings in the first quarter. An improving outlook along with prior depressed valuation resulted in solid stock performance during the quarter.

EVERTEC, Inc.

Shares of EVERTEC, Inc. continued to rebound during the quarter. EVERTEC posted strong results for the first quarter due to improved sales volume, which was driven by recovery and relief efforts in Puerto Rico. Management also raised revenue and earnings guidance for 2018. Together, this led to a rerating of the company's stock price after its sell-off in the second half of 2017.

Diebold, Inc.

Diebold, Inc. had its first quarterly call with the new CEO Gerrard Schmid, who took the job in February of this year. While management reiterated the guidance for 2018, its shares declined sharply following the call for two reasons. First, Diebold suspended its $30 million annual dividend and second, investors were anticipating new ATM orders to increase since Microsoft support for the Windows 7 operating system ends in January 2019. However, management was cagey in providing details of the order pipeline—we suspect this stems from missing guidance on more than one occasion in 2017. Despite these two factors, we believe that Diebold provides significant upside potential based on the firm's duopoly position in the ATM industry in North American and Europe. Following the company's earnings call, we spoke with Mr. Schmid and he reiterated his focus on improving operating margins and free cash flow.

Aspen Insurance Holdings Ltd.

As discussed last quarter, Aspen insurance Holdings Ltd.'s stock price benefited from a report in an industry publication that the board had commenced a public auction process for the business. During the second quarter, there was continued news flow and rumors indicating that a very limited number of buyers remained interested in acquiring the company. This led to a decline in Aspen's share price.

FGL Holdings

During the quarter, shares of FGL Holdings declined. FGL Holdings is heavily exposed to the movement in interest rates and a decline in rates during the period led to investment spread and yield pressures. These factors caused near-term weakness in the company's stock price.

Beacon Roofing Supply, Inc.

Beacon Roofing Supply, Inc. had a challenging first calendar quarter. Rising oil prices have resulted in multiple price increases from shingle manufacturers. While Beacon is implementing its own price increases, there has been a lag and investors, after not having evidenced any price increases in the last several years, are skeptical that Beacon will be successful in recouping its gross margin. Additionally, harsher winter weather in 2018 vs 2017, has created a year-over-year volume headwind. Finally, having just completed the acquisition of Allied Building Products in January 2018, Beacon is carrying a high debt load. These factors coupled with a miss in the quarterly results fueled a negative reaction and resulted in an approximate 20% decline in the company's stock price. We believe Beacon's management team is highly focused on reducing the impact to gross margins over the next several quarters. Furthermore, the integration and the associated cost synergies from the Allied acquisition are progressing well. Beacon should be able to generate healthy free cash flow, which will be used primarily for debt reduction; thus, lowering the company's risk profile.

Knight-Swift Transportation Holdings Inc.

Despite a stronger than expected quarter, Knight-Swift Transportation Holdings Inc.'s shares were weak due to concerns that the industry could be approaching its peak. High Class 8 order rates have also added to concerns about the cycle. However, Knight's first quarter results benefited from the current robust pricing environment. Revenue per loaded mile increased 16% at Knight Truckload and 10% at Swift Truckload. Knight's average truck count also began to stabilize. Meanwhile, Swift's truck count declined as the company decided to eliminate drivers that did not meet Knight's stringent trucking criteria.

SMID Cap Value Equity Performance— *Through June 30, 2018*

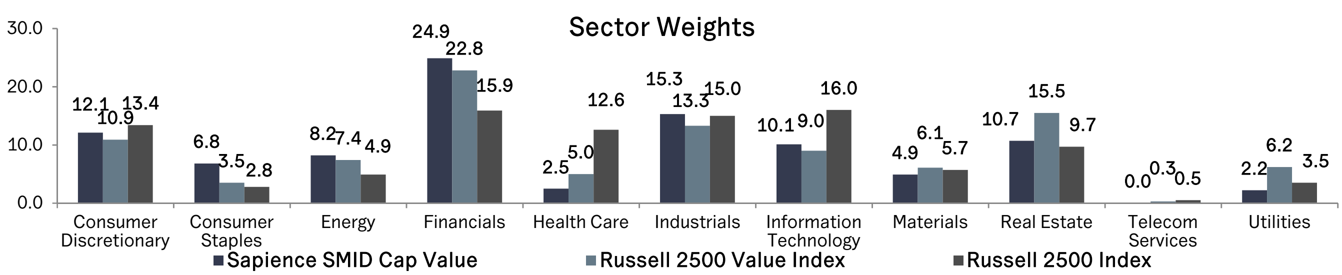
	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	10.0%	7.6%	10.7%	10.9%
Sapience SMID Cap Value Equity Composite (Net)	9.8%	7.2%	10.0%	10.2%
Russell 2500 Value Index	5.8%	3.0%	11.5%	13.2%
Russell 2500 Index	5.7%	5.5%	16.2%	16.6%

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 June 30, 2018*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	27.2%
Active Share [1] (relative to the Russell 2500 Value Index)	95.1%
Tracking Error [2]	4.3
Number of Buys	9
Number of Sells	5

[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 second quarter. Ascena Retail Group, Inc., Signet Jewelers Ltd., Syneos Health, Inc., Oasis Petroleum Inc., Diebold, Inc., and Aspen Insurance Holdings 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
Second Quarter 2018

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Ascena Retail Group, Inc.	Diebold, Inc.
Envision Healthcare Corp.	RenaissanceRe Holdings Ltd.
Signet Jewelers Ltd.	Aspen Insurance Holdings Ltd.
Syneos Health, Inc.	Signature Bank
Oasis Petroleum Inc.	WestRock Co.

Envision Healthcare Corp.

On June 11, 2018, Envision Healthcare Corp.'s board approved an all cash offer by KKR to acquire all the outstanding shares of Envision for $46.00 per share. The transaction valued Envision at 10.1x the mid-point of 2018 EBITDA guidance and represented a 32% premium to the company's stock price when the strategic review was announced. In early July, Envision filed its preliminary proxy related to the acquisition by KKR. While it is validating to see KKR step up to acquire Envision for a premium from the bottom, the consideration of $46 per share is extremely disappointing. If you go through the proxy, the process was fair and KKR was the only final bidder out of a group of 22 initial interested parties. Included in the merger proxy are management's projections for a base case and a sensitivity (downside) case. If we apply a 13x multiple to 2020/2021 EPS, we derive a value of $70/80 per share under the base case and $62/69 under the downside case. In retrospect, the price paid was fair based on 2018 earnings, but in our opinion, not on 2017 and definitely not on 2019, 2020, or 2021 earnings. We don't fault KKR for driving a hard bargain; however, we do condemn the board and the public shareholders for being myopic in accepting this low offer. The company did not need to go private and the risk/reward was much more favorable for public shareholders over the next 2 to 3 years than the $46 offer that was accepted. We believe Envision's board opted for "Certainty of Price" rather than "Maximization of Value".

RenaissanceRe Holdings Ltd.

Following lackluster mid-year reinsurance renewals, which should also weigh on early 2019 renewals, RenaissanceRe Holdings Ltd. announced lower projected property catastrophe premium volumes during the second quarter. In addition, a decline in yields was a further incremental negative. These factors both led to a disappointment among investors and ultimately a decline in RenRe's stock price.

Signature Bank

Signature Bank's share price declined with the contraction of its NIM (Net Interest Margin) in the first quarter along with elevated concern regarding higher deposit betas in the current environment. We added to the position on weakness, as we believe the company's stock price has been overly punished and offers attractive risk/reward over the next 2 to 3 years.

WestRock Co.

While WestRock Co.'s quarterly results were in line, the company's stock price declined during the quarter. It appears that the market believes that the current tight supply conditions in the containerboard market as well as the benefits from lower prices for recycled containerboard (Old Corrugated Container or OCC) are coming to an end. While we recognize that WestRock operates in a commodity industry, we believe that the consolidated nature of the industry will mitigate any adverse change in these two factors. Currently, consolidation in the paper-packaging sector is in full swing. WestRock is in process of acquiring Kapstone Packaging. Meanwhile, its competitors are also active in the space (International Paper expressed interest in Smurfit Kappa of Ireland before walking away; International Paper also sold its consumer packaging business to Graphic Packaging).

Outlook

At the end of last year, we wrote to you that the market conditions were highly reminiscent of 2006/2007. The M&A activity that we have witnessed in the last six months is broad based and very similar to what took place in 2007. The pace and magnitude of deals has been increasing. As described earlier, this year we have had five announced takeovers in our two strategies—three were acquired by PE firms and two were acquired by Strategic buyers. PE firms have raised a lot of capital, debt is plentiful, rates are low, and loans are covenant light. The excess leverage that is being used in the Technology and Industrial sector deals along with high multiples that are being paid could pose a problem down the road for the debt investors and the LPs in these transactions. Corporates are using debt and stock—an expensive currency for acquisitions—and are receiving a favorable reception from the markets.

As 2017 was drawing to a close, the markets were expecting a synchronized global recovery and "lower for longer" interest rates. In retrospect, the recovery has not quite materialized to the degree envisioned in Europe and the Emerging Markets. The U.S. economy remains the bright spot globally and seems to be gaining momentum. The recent escalation in trade tensions between the U.S. and China is roiling financial markets and threatening the global recovery. The 10-year U.S. treasury yield increased close to 3.10% in May and has since retreated by around 25 bps. Barring an all-out trade war, we continue to see a strong GDP in the U.S for the next 6 to 12 months. However, in our view, the medium-term risks of a synchronized tightening in the U.S., Europe, and Japan and the comedown from the fiscal sugar rush in the U.S. are currently underappreciated.

From the beginning of 2016 through January 2018, the U.S. equity markets can be best described as one directional and momentum driven with low volatility. In that environment, positive flows drove multiple expansion, which made passive and select factor-based equity approaches quite difficult for true active investing to beat. The old adage—"don't confuse a bull market with brains" has circled back in its validity. Since February of this year, the environment seems to have shifted. The normalization in the market has and should continue to help our relative returns, which are predominantly derived from stock selection. While we were able to deliver strong absolute returns this quarter and positive alpha over our benchmarks, it appears, as of this writing, the majority of our peers have struggled to keep up with the benchmarks. Looking to the future, we envision a likely scenario where a negative repricing of the high flyers for both the large and small cap stocks occurs. In this situation, fundamentals of the businesses along with valuation discipline would become paramount again and downside protection would play a greater role in generating superior returns.

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 are selected based on the stock's attribution to a Sapience Small 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

*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, 2017. 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

*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, 2017. 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.
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 SMID 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.