

Introduction to Sapience Investments, LLC

On September 26, 2016, we launched Sapience Investments, LLC (Sapience) as an independent, majority employee-owned investment management firm. Sapience is derived from the Latin word *sapiens* which means to be wise, judicious, and discerning. It is the ability to think and act using knowledge, experience, understanding and insight. Sapience often requires control of one's emotional reactions so that the universal principle of reason prevails to determine one's action. In short, Sapience is a disposition to find the truth and apply optimum judgement in determining what actions should be taken. The name Sapience underscores our discipline, our commitment to our investment process, and our approach to this business.

We are a new firm composed of an established team with a culture rooted in our respect for intellect, independent thinking, and a rigorous work ethic. As stewards of our clients' assets, we are committed to our goal of generating superior long-term performance while fostering relationships built on integrity and transparency. We view our clients as partners and believe that shared goals and values as well as respect and accountability are hallmarks of successful and enduring partnerships.

We are grateful to our founder class of clients for placing their trust in us early and to a few leading consulting firms for enthusiastically supporting Sapience within a few months of our launch. As we enter 2017, we look forward to working with new prospects and other clients that we have known for several years.

Detailed below is our first quarterly portfolio review as Sapience. This review discusses the final quarter of 2016.

Market Review

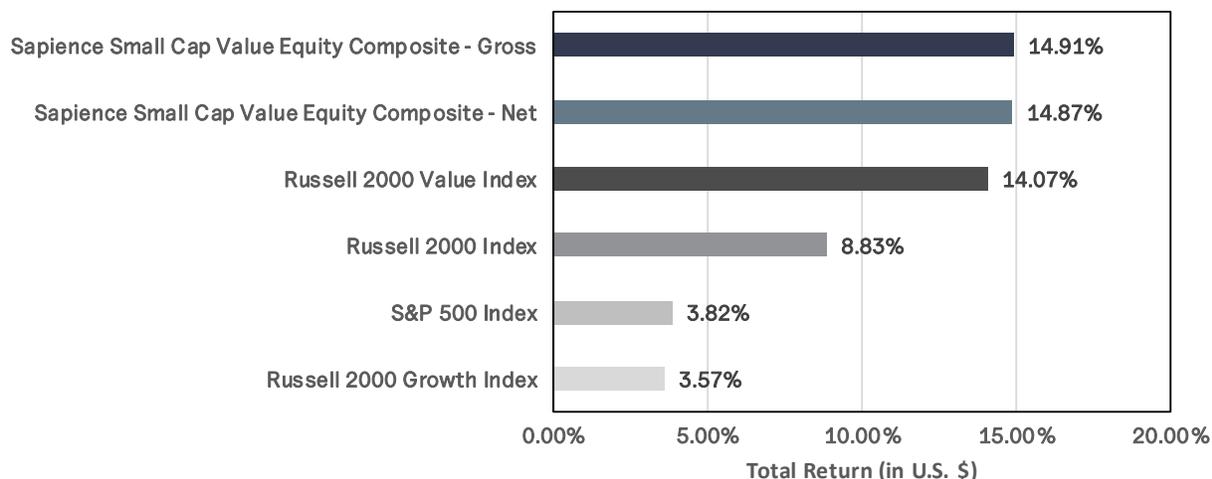
In the fourth quarter of 2016, correlations declined and the stock market continued its positive gains with equity markets rising to new highs. Markets surged after the election of Mr. Donald Trump, buoyed by hopes for more business-friendly policies, potential tax cuts, and less regulation. The S&P 500 Index posted modest gains, advancing 3.82% while the Russell 2000 Value Index returned 14.07% and the Russell 2500 Value returned 9.34% for the quarter.

In 2016, unemployment continued to decline, growth remained steady and inflation showed signs of firming. All three factors likely contributed to the Federal Reserve's (the Fed's) decision to raise rates in December as each underscored Fed Chairwoman Janet Yellen's confidence in the economy's progress. While this was the first raise in a year and additional raises are expected in 2017, we continue to believe the path to higher rates is critical and will impact how the market will behave.

Small Cap Value Equity Performance

For the fourth quarter of 2016, the Sapience Small Cap Value Equity Composite posted a total return of 14.91% gross of fees (14.87% net of fees), outperforming the Russell 2000 Value Index return of 14.07 % and the broad Russell 2000 Index return of 8.83%.

Equity Performance—*Fourth Quarter 2016*



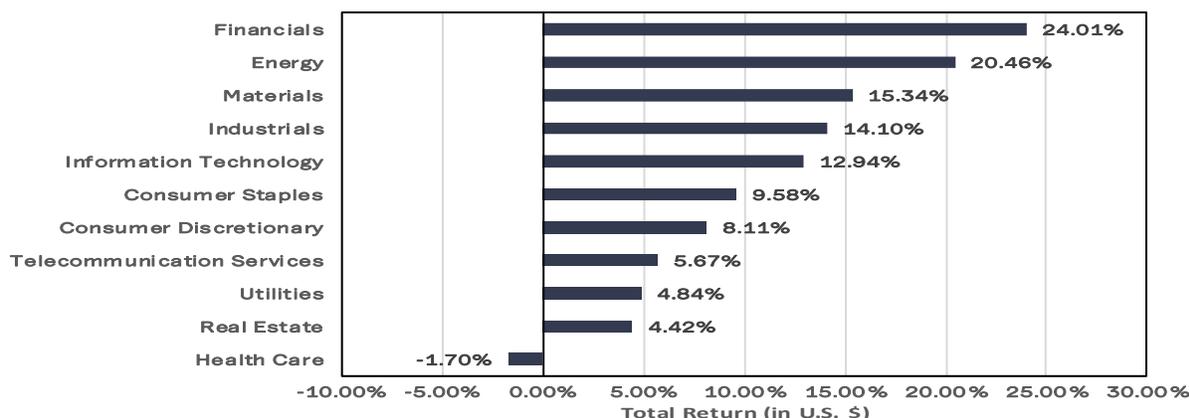
Sources: Advent Geneva, Russell Investments, Standard & Poor's, FactSet.
 NOTE: The complete GIPS compliant presentation can be found at the end of the document.

Composite and benchmark returns reflect the reinvestment of income. 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.

Performance by Size, Style and Sector

As measured by the Russell U.S. indices, small-cap companies performed the best, followed by large-cap stocks, with medium-sized businesses trailing the pack during the fourth quarter of 2016. With respect to style, value stocks outperformed their growth counterparts across all three capitalization ranges during the period.

Russell 2000 Value Index Sector Returns—*Fourth Quarter 2016*



Sources: Russell Investments, FactSet.

All but one of the 11 sectors in the Russell 2000 Value Index posted positive returns during the fourth quarter. The Financials sector performed the best, with a total return of 24.01%. Meanwhile, at the other end of the spectrum, Health Care was the worst-performing sector, posting a total return of -1.70%. Given the tremendous variation in performance by sector, we remain committed to broad diversification by position, industry, sector and factor exposures such as interest rate sensitivity and economic cyclicality to mitigate risk.

Small Cap Value Equity Performance Attribution

This is not a recommendation to buy or sell a particular security. 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. Composite and benchmark returns reflect the reinvestment of income. 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.

During the fourth quarter, stock selection was the primary driver of the Small Cap Value portfolio's outperformance relative to the Russell 2000 Value Index. Sector weightings, a by-product of our bottom-up security selection decisions, had a negative impact to relative performance. Compared with the Russell 2000 Value Index, stock selection in the Consumer Discretionary and Industrials sectors added the most value. An underweight in the weak-performing Utilities sector further augmented relative return. On the negative side, security selection in the Information Technology and Consumer Staples sectors detracted from relative performance.

The strategy's cash exposure created a slight headwind for the Small Cap Value portfolio during the quarter as holding any cash in a strong market will create a drag on the portfolio. This cash position is not a bearish call on the market, but rather the direct result of exiting a few of our investments during the quarter. Although this moderately high cash balance is unusual for the Small Cap Value portfolio, the investment team is, as usual, being prudent and patient in adding new positions to the portfolio. While we are well aware of the drag that cash may have on our short-term results, we believe abandoning our valuation discipline would be much more detrimental to our long-term investment performance.

**Performance Attribution
Relative to the Russell 2000 Value Index
Fourth Quarter 2016**

Contributors	Detractors
Stock Selection in Consumer Discretionary	Exposure to Cash
Underweight in Utilities	Stock Selection in Information Technology
Stock Selection in Industrials	Stock Selection in Consumer Staples

In Consumer Discretionary, Pier 1 Imports, Inc. was the best performer. During the quarter, management announced results that were well ahead of expectations after several quarters of missed earnings. The improvement in both sales and margins were driven by the company implementing a more balanced promotional strategy and improving its clearance markdowns.

Within Industrials, Korn/Ferry International contributed the most value to relative performance. Shares of Korn/Ferry rebounded from previous lows when the company released better-than-expected earnings results. The company's stock price also slightly rose earlier in the quarter as overhanging macro concerns subsided with the election of Mr. Trump. During our investment horizon, we believe Korn/Ferry will continue to benefit from growth in search activity and its diversification efforts.

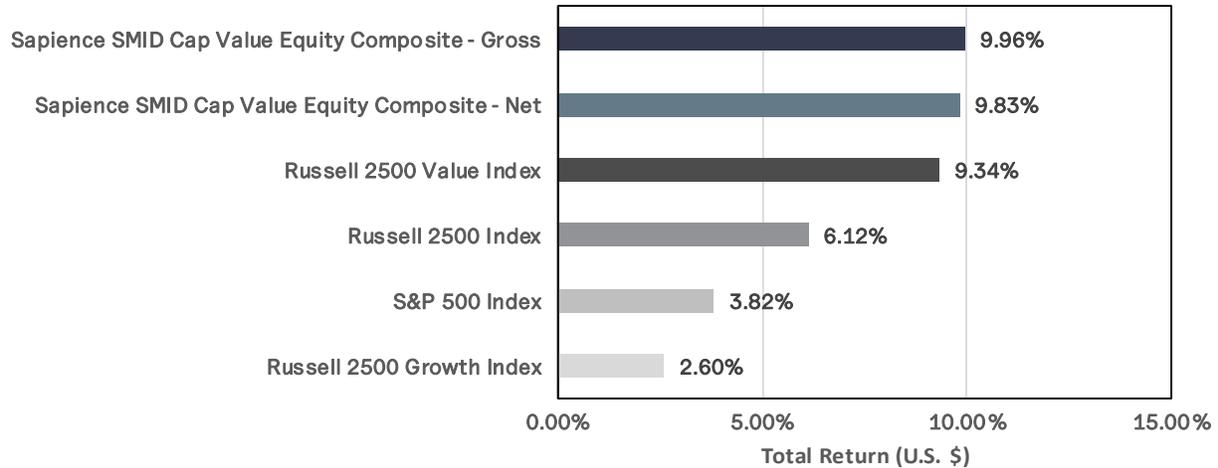
CoreLogic, Inc. was the worst performer in the Information Technology sector. Two opposing factors impacted CoreLogic's stock price during the quarter. Post-election, treasury yields increased, which led to mortgage rates moving higher. As a financial and consumer information service provider to mortgage originators, financial institutions and government organizations, the mortgage rate increase impacted the rate of refinancings and thus, CoreLogic's business. Counteracting this result is the potential corporate tax reduction proposed by the incoming administration. CoreLogic earns more than 90% of its operating income in the United States (U.S.) and this reduction should benefit the company. The negative factor, however, outweighed the positive, hindering the company's stock price. While longer term we continue to believe CoreLogic is trading at a discount to our estimate of intrinsic value, we divested our position in favor of better risk/reward opportunities.

In Consumer Staples, TreeHouse Foods, Inc. was the largest detractor. Shares of TreeHouse declined after management reported the company missed earnings, lowered guidance for the full year of 2016, and announced the departure of its Chief Operating Officer. While TreeHouse's legacy business continues to perform well, its Private Brands business is underperforming. The company acquired a private-label business from ConAgra more than a year ago and the integration has proven to be more complex than anticipated. We continue to believe this acquisition will be accretive to TreeHouse once the integration is complete and thus, we believe these issues and their impact on the company's stock price are short term.

SMID Cap Value Equity Performance

For the fourth quarter of 2016, the Sapience SMID Cap Value Equity Composite posted a total return of 9.96% gross of fees (9.83% net of fees), outperforming the Russell 2500 Value Index return of 9.34% and the broad Russell 2500 Index return of 6.12%.

Equity Performance—*Fourth Quarter 2016*



Sources: Advent Geneva, Russell Investments, Standard & Poor's, FactSet.

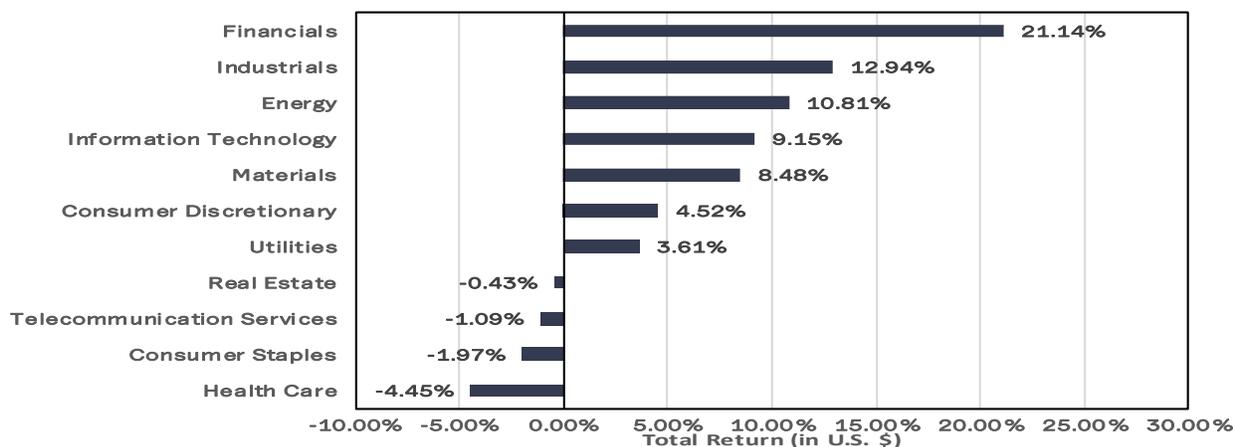
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Performance by Size, Style and Sector

As measured by the Russell U.S. indices, small-cap companies performed the best, followed by large-cap stocks, with medium-sized businesses trailing the pack during the fourth quarter of 2016. With respect to style, value stocks outperformed their growth counterparts across all three capitalization ranges during the period.

Russell 2500 Value Index Sector Returns—*Fourth Quarter 2016*



Sources: Russell Investments, FactSet.

A majority of the 11 sectors in the Russell 2500 Value Index posted positive returns during the fourth quarter. The Financials sector performed the best, with a total return of 21.14%. Meanwhile, at the other end of the spectrum, Health Care was the worst-performing sector, posting a total return of -4.45%. Given the tremendous variation in performance by sector, our investment team remains committed to broad diversification by position, industry, sector and factor exposures such as interest rate sensitivity and economic cyclicity to mitigate risk.

SMID Cap Value Equity Performance Attribution

During the fourth quarter, stock selection was the primary driver of the SMID Cap Value portfolio's outperformance relative to the Russell 2500 Value Index. Sector weightings, a by-product of our bottom-up security selection decisions, had a negative impact to relative performance. Compared with the Russell 2500 Value Index, stock selection in the Financials and Consumer Discretionary sectors added the most value. An underweight in the weak-performing Real Estate sector further enhanced performance relative to the Index. On the negative side, security selection in the Industrials and Information Technology sectors detracted from relative return. The portfolio's exposure to cash also subtracted value during the period. Overall, the positive factors far outweighed the negative, resulting in a respectable performance premium for the quarter.

Performance Attribution Relative to the Russell 2500 Value Index Fourth Quarter 2016

Contributors	Detractors
Stock Selection in Financials	Exposure to Cash
Underweight in Real Estate	Stock Selection in Industrials
Stock Selection in Consumer Discretionary	Stock Selection in Information Technology

In Financials, SVB Financial Group was the best performer. In general, U.S. bank stocks have broadly benefited from the election of Mr. Trump as the market has speculated his election will result in a debt-fueled fiscal stimulus, an improved domestic economic outlook leading to higher interest rates, relaxation of regulatory compliance, and reduced corporate tax rates. SVB Financial disproportionately benefits from several of these factors, notably interest rates rising and a reduction in U.S. corporate taxes. As a result, the company's stock price advanced on these expectations during the quarter and we divested our position in this regional bank as its stock price approached our intrinsic value target.

Within Consumer Discretionary, SeaWorld Entertainment, Inc. added the most value to relative performance. Shares of SeaWorld advanced during the period when management announced a cost savings program that is expected to generate approximately \$40 million in savings by the end of 2018. Additionally, attendance numbers at SeaWorld's California and Florida parks has stabilized and season pass purchases have increased by double digits at every park.

KAR Auction Services, Inc. was the worst performer in the Industrials sector. KAR Auction Service's stock price declined after management reported its third quarter earnings results. Physical auction volumes softened, growing only 1% organically after posting 12% and 3% organic growth in the first and second quarter, respectively. While these near-term results hindered the company's stock price, longer term, we continue to believe KAR Auction Services will benefit from several years of off-lease volume growth.

In Information Technology, Sabre Corp. was the largest detractor. During the quarter, Sabre's shares declined when the company announced it missed consensus earnings expectations. Despite this recent miss, Sabre's management team expects strong fourth quarter growth as well as solid growth in 2017. Additionally, management has reduced the firm's leverage and announced a share buyback program. Longer term, we believe this travel and tourism technology service provider remains an attractive investment opportunity.

Outlook

Although the domestic U.S. economy is on stable footing, equity prices have discounted ample good news. Exuberance is evident in cyclical sectors as well as with small-cap stocks meaningfully outperforming large-cap stocks. Despite the rising odds of a near-term correction in the small-cap space, a better economic picture in the U.S. versus the global outlook and a strong U.S. dollar augur well for continued small-cap stock outperformance in the medium term. Additionally, with lower correlations, the market environment should bode well for active management.

We believe we are about to witness a regime shift from an era of falling interest rates and inflation and a rise in labor costs at the expense of corporate margins. While we cannot predict the direction of markets or the impact of political events and other macro factors, we do control our commitment to our well-defined investment process. We will, as always, remain vigilant in our analysis of businesses, employing rigorous fundamental analysis, and appropriately managing risk in our positions for our strategies with the goal of adding value for our partners.

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					N/A	N/A			

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

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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 not been independently verified.
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					N/A	N/A			

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

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