Market Review

If your inbox is similar to ours, you have been inundated more than normal with market updates and commentaries. The markets are changing so rapidly that a precise "point in time" analysis of price changes is less relevant than usual. The movement of prices and economic expectations, along with our underperformance in a bad market, require a greater elaboration on our analytic and strategic thinking. Given this, we believe our quarterly commentary warrants a modification from our traditional client letter in both format and content emphasis.

Equity Market Price Trajectories

- S&P 500 peaked on February 19, 2020. Fell 34% over the next 24 trading days ending March 23. Then rose 24% through April 13, 2020.
- EAFE peaked on February 17, 2020. Fell 34% until the trough on March 23. Since then, EAFE is up 19% through April 13, 2020.
- Russell 2000 peaked back on August 31, 2018. The peak in 2020, however, occurred on January 16. The Index declined 42% from the January peak to the trough on March 18, 2020 and then rose 22% through April 13, 2020.

Suffice to say that this "most rapid of all time" market decline is primarily a function of two things:

- A global pandemic with an unpredictable duration that has prompted an immediate onset of a recession—an external shock. The markets are being highly sensitive to daily virus confirmation and fatality direction as well as projections of the economic impact.
- Market structure and dynamics, which integrate ongoing market sentiment with quantitative trading models that trigger rapid buys and sells.

Investing is about uncertainty, but has there been a time in memory when the ranges of the inputs to pricing have been so wide? We are not advocates of the "cure being worse than the disease". We believe the best prescription for our health and for our economy is to avoid backing off from protective policies prematurely. Yet, we must acknowledge that, as of this writing, forecasting earnings and GDP impact over the next three quarters with any degree of precision is beyond anyone's capabilities.

The U.S. government, at nearly all levels, has reacted to the pandemic with haste. 'Stay-at-home' orders have shuttered the economy and induced mass unemployment. The Federal government adopted a $2.2 trillion relief package (fully 10% of GDP) aimed at addressing the demand shock from the sudden economic stoppage. In two rapid steps, the Federal Reserve cut short rates to nearly zero and restarted its idled quantitative easing program. Remarkably in the matter of a few weeks, the Federal Reserve's balance sheet has swelled 63% to a record $6.1 trillion (as of April 10)—almost twice the size of their entire Fed response to the Global Financial Crisis (GFC) which they delivered over several years. They have rolled out an alphabet soup of new lending programs designed to backstop credit markets of all forms, from commercial paper to commercial mortgage-backed securities, municipal bonds, and even high yield corporate debt. The CARES Act will enable them to purchase another $4.5 trillion in assets. Whether these radical fiscal and monetary measures will be adequate to revive the post-shock economy, without grave unintended consequences, is an open and uncertain question.

Investors reacted swiftly to the unfolding crisis by shifting into a 'risk-off' regime, whereby risky assets of all types were liquidated. Regarding categories of stocks, the degree of disparity is greater than any time in memory. In the last four weeks of the quarter, as the selling intensity increased, correlations went parabolic and there was indiscriminate selling across sectors. We took our lumps in our existing holdings in the last month. However, having been through similar periods of extreme stress in the markets (Q4 2008, Q1 2009, and Q3 2011) —this is not atypical. Value stocks, especially Small Cap Value stocks, came under intense selling pressure during the capitulation stage. Leverage became a four-letter word and stocks with leverage were shunned. As you would likely expect, we have been highly active in our portfolios over the past several weeks, and we believe the valuations in small and mid-cap stocks are the most attractive since the GFC. As a reference point, the Russell 2000 earnings multiple fell to 12x trailing EPS, its lowest level since February 2009. Additionally, the valuation comparison of small versus large capitalization stocks fell to its lowest level since November 1999. A bottom can only be recognized in retrospect, hence, we have been buying and adding on the way down.

Russell Index Returns—*As of March 31, 2020*

	Quarter to Date	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	-30.6	-30.6	-24.0	-4.6	-0.3	6.9
Russell 2000 Value Index	-35.7	-35.7	-29.6	-9.5	-2.4	4.8
Russell 2000 Growth Index	-25.8	-25.8	-18.6	0.1	1.7	8.9
Russell 2500 Index	-29.7	-29.7	-22.5	-3.1	0.5	7.7
Russell 2500 Value Index	-34.6	-34.6	-28.6	-8.4	-2.2	5.7
Russell 2500 Growth Index	-23.2	-23.2	-14.4	3.4	3.6	10.1
Russell Mid Cap Index	-27.1	-27.1	-18.3	-0.8	1.9	8.8
Russell 1000 Index	-20.2	-20.2	-8.0	4.6	6.2	10.4

Sources: Russell Investments. Full definitions of the Indexes may be found in the Disclosures and Composite Notes sections.

Small- and Mid-Cap Market Review

As introduced above, the spread in cap size results during the quarter is extreme—approximately 10% (Russell 1000 -20.2% and Russell 2000 -30.6%)—and the spread between growth and value, within the small cap segment, was also nearly 10% (Russell 2000 Growth -25.8% and Russell 2000 Value -35.7%). While no sectors were spared, the relative sector returns were somewhat intuitive for the quarter. Within the Russell 2000 Value Index, Utilities and Consumer Staples stocks were the most resilient, followed by Technology and Health Care. The distinct laggards were Energy and Consumer Discretionary (-62% and -49%, respectively). Financials, the largest weight in the Index at 30%, was down 37%. A major factor in the performance lag for the Value Index is a function of its relative sector weights—including the more leveraged and cyclical sectors, plus Financials being a large weight, which is typically hurt by low interest rates and credit exposure in a recession.

The Russell 2500 Index fared slightly better at -29.7%, and its Value Index -34.6%. The pecking order of sector results for the Russell 2500 Value Index were similar to the Russell 2000 Value during the quarter.

Performance Impact

This market decline particularly penalized three factors—value, cyclicality, and leverage. These factors negatively impacted our portfolios to varying degrees. In our previous quarterly letters, we have commented about our under-exposure to growth/momentum and defensive businesses that we believed were trading way above their fundamental value. Our portfolios are more exposed to businesses that are classified as traditional value. For example, even though we are overweight Industrials, we own many businesses that are less cyclical. Nevertheless, in this recent sell-off, these businesses did not fare much better than their more cyclical counterparts. Our Consumer Discretionary holdings were impacted in the Covid-19 related sell-off for the obvious reasons. The stocks with any leverage declined significantly as the high-yield spreads widened dramatically. In times of market duress, investors don't differentiate among leveraged businesses, regardless of their liquidity position or ability to service their debt. Having been through similar periods of market stress, it is not surprising to us that correlations became extremely high and even safer investments came under selling pressure due to liquidity becoming scarce. However, as the volatility subsides over the subsequent quarters and liquidity improves, things should reverse. In the last three weeks, as volatility has declined and high-yield spreads have tightened, the markets have experienced a partial reversal in the cyclical and leverage factors already.

During the month of March, it appears few investors were thinking about the concept of intrinsic value and most were focused on liquidity. As long-term investors, we also had to make difficult decisions between short-term mark-to-market losses and the underlying intrinsic value of our investments. Remaining true to our process, we chose the latter approach.

Our Small Cap strategy, after being up 22.2% gross of fees (21.4 net of fees) and flat to the benchmark in 2019, underperformed in first quarter by 8.0% (gross of fees). In reviewing attribution, our sector allocations actually added value; however, our stock selection was below the Russell 2000 Value Index in 8 of the 11 sectors. In our Small Cap portfolio, the hardest hit sectors were Technology, Consumer Discretionary, and Financials. In Technology, Diebold Nixdorf, Inc. and Sabre Corp. were both down meaningfully. Diebold was a huge outperformer in 2019 (generating more than 300% in total return). The company has stable service revenues and is a cost reduction story. The stock has come under pressure due to high headline leverage; however, there are no near-term liquidity concerns. Sabre is a leading provider of critical technology solutions to the Airline and Travel industry. In the near to medium term their business will be negatively impacted. We believe that as air travel resumes and bookings improve over time, Sabre should be a direct beneficiary. In Consumer Discretionary, it is our contention that many of our businesses, like Samsonite International S.A. and Capri Holdings Ltd., will be hurt as a result of travel restrictions and stores closures for the next two to three months. However, both of these businesses have leading global brands and ample liquidity to prosper coming out of this pandemic. While our underweight in Financials helped us during the period, Redwood Trust, Inc., which is a mortgage REIT, came under intense selling pressure due to the liquidity crisis in the mortgage funding markets because of the Covd-19 pandemic.

Our SMID Cap strategy after being up 28.2% gross of fees (27.5% net of fees) and outperforming the benchmark by 4.6% in 2019, underperformed in the first quarter by 4.9%. The shortfall was all stock-selection related as we were behind the Index in 6 of the 11 sectors. The majority of this shortfall was due to the Technology sector with the same two investments (as discussed above) detracting the most value.

Portfolio Strategy and Key Exposures

The pandemic, like a natural disaster, is an external shock that caught us flat footed. For many of our investments, we had priced in a softer economy, but there was no way to project a quarter where some of our companies would have zero revenues; this is unprecedented. Difficult times require intense work. Over the last six weeks, we have focused on two types of analysis. One method considers every holding and potential investment individually. Under this method, we have asked ourselves four questions to determine what we want to own going forward and what the sizing of these positions should be. These questions are as follows:

1. What companies do we continue to like with equal conviction as prior to the pandemic?
2. Which companies will be impaired in terms of having their operating results postponed by the pandemic and probable recession? This includes situations where the revised price targets are below our initial expectations, but we believe have very favorable return expectations relative to current bargain prices, and businesses that may need additional financing where even with the potential dilution offer an attractive risk reward.
3. Which companies operating prospects have been damaged longer term? Stocks we have removed from the portfolios.
4. Which new stocks (upgraded quality) have fallen into our desired price range that have been on our watch list?

It is common during market declines to hear many managers explaining they have "upgraded their portfolios." As price driven investors we have taken advantage of the dislocation to purchase several long-followed companies whose stock prices have declined to attractive discounts. However, we remain quite bullish on many of our pre-decline investments and have added in many cases. As you would surmise, our turnover during the past eight weeks has been high.

Our second approach is to analyze our major sector exposures within our portfolios. Below we discuss our thought process as we analyzed these sectors relative to the Russell 2000 Value and 2000 Index for Small Cap and the Russell 2500 Value and 2500 Index for SMID Cap.

Financials The economic drop has led us to a larger sector underweight in our Small Cap Value strategy relative to the Russell 2000 Value Index. Credit costs should rise sharply and undermine profitability. After an initial rebound, we anticipate the recovery to peak economic activity will be shallow, inducing policymakers to keep an exceptionally accommodative monetary stance and a flat yield curve. This policy would undermine financial company earnings in two ways. First, it depresses net interest margins, as it is difficult to borrow short and lend long. Second, it holds down the yields on new loans and securities, which are purchased by insurers and banks to generate the returns needed to pay claims or earn competitive returns on their capital. Banks and other financial institutions should see a jump in new lending to distressed borrowers. However, recently adopted capital requirements mandate higher provisions that diminish the profitability of these transactions. Many small- and mid-cap Financials have seen a 40-50% reduction in consensus earnings estimates and a corresponding underperformance in their shares. Financials now appear to be cheap, but in a stressed environment, this value can be a mirage. As we review our existing holdings, and look to add new investments, we seek quality companies; those businesses with strong capital positions, diverse sources of liquidity, minimal exposure to the most affected industries, some ability to restructure and reduce expenses, and the capacity to create value over the medium term.

Industrials We have maintained an overweight in Industrials, as a few of our investments (KAR Auction Services, Inc., IAA, Inc., and Beacon Roofing Supply, Inc.) are less economically sensitive. In the last few weeks, we have observed that stocks with the highest leverage were impacted the most, followed by those with exposure to certain end markets, such as autos, aerospace, and oil and gas. A key focus in selecting Industrial companies has always been free cash flow generation, which should become increasingly important in navigating the expected decline in demand across most end markets. The majority of our Industrials investments continue to operate and have taken actions to lower costs and conserve liquidity. We have added a few high-quality businesses with strong balance sheets, such as Watts Water Technologies, Inc. in Small Cap and IDEX Corp. in SMID Cap. Several stocks with the largest declines had exposure to autos and the market did not differentiate among the nature of the business exposed to this industry. We maintained our positions in these types of investments as several are leaders in attractive markets and are more defensive because they are not tied to new auto builds. These include KAR Auction, a wholesale auction company for used cars for manufacturers, dealers, car rental fleets and off-lease vehicles, and IAA, an auction provider for salvage vehicles for the auto insurers.

Consumer Discretionary   We are overweight the Consumer Discretionary sector in both strategies. In the near term, we believe all holdings will be impacted, some severely—like restaurants and retail. In the SMID portfolio, our two largest positions, LKQ Corp. and Hasbro, Inc., should be less impacted as both are less economically sensitive. We believe most, if not all, of the Covid-19 impact has been priced into these stocks. Unlike many companies in this sector, we believe all our businesses have adequate liquidity to survive the near-term closures and a gradual recovery in 2020. Of our investments in this sector, Dave & Buster's Entertainment, Inc. is the most severely impacted. The company may need to raise some additional capital if the closures extend beyond a few months and if consumers are slow to return post-social distancing. However, as the largest player in its industry, they will likely emerge with less competition in the medium term. We believe our investments in this sector are trading at extremely depressed levels and offer tremendous upside over the next 1-3 years. In addition, we have added a couple of high-quality businesses in both portfolios (Dunkin Brands Group Inc. in Small-Cap and Hasbro in SMID Cap).

Technology   In both strategies, we have been underweight the Technology sector for the last three years. We have taken advantage of the dislocation and added several new positions in the sector over the last few weeks. Our new investments are in Software and Services and we believe these are more defensive in nature relative to technology in general. Our investment in Diebold should see near-term negative impact, but we believe it continues to offer attractive upside over the next 1-2 years. Sabre should be impacted over the next couple of years as airline bookings will take time to normalize. The company raised $1.1 billion in additional capital after the quarter end to withstand the steep decline in business that is anticipated over the next six months.

Health Care   We are overweight the Health Care sector relative to the Russell 2000 Value Index for Small Cap and the Russell 2500 Value Index for SMID Cap as it should be less impacted in the medium term than other sectors. With few exceptions, most areas of healthcare will feel some impact from closing down large areas of the healthcare systems and deferral of elective procedures to create additional capacity and conserve scarce resources to treat Covid-19 patients. Our investments in this sector are leaders in their respective markets and provide essential products and services. We believe these companies should be able to manage through what will be an unprecedented decline in medical procedure volumes in the upcoming months. Some of our other companies may only experience limited or manageable disruptions.

Consumer Staples   We have been overweight in the Consumer Staples sector and, having outperformed in this sector during the downturn, we continue to maintain our overweight. Our performance is typically driven by our stock selection. TreeHouse Foods, Inc. is a packaged foods company in the midst of a turnaround led by a new CEO that is an industry veteran and e.l.f. Beauty, Inc. is an upcoming cosmetics business that we believe has tremendous growth potential.

Energy   The combination of the Saudis increasing their production after not being able to reach an agreement with Russia on supply cuts and demand destruction resulting from Covid-19 created the perfect storm globally—oil plummeted far below marginal cost. Near term, storage bottlenecks globally will result in production shut ins as oil will have no place to go. If demand starts recovering in the fall, the excess inventory can be bled off by early 2021, resulting in oil potentially climbing up to marginal cost levels of $55, from the low $20s currently. The shale industry (especially the sub-scale operators) was struggling prior to this downturn as capital became restricted. Coming out of this downturn, the shale industry will likely consolidate with the high-quality assets ending up with scale operators. We remain equal weight to slightly overweight the sector as we believe the valuations of the scale and stronger operators are depressed and should appreciate as oil approaches marginal cost over the next 12 to 18 months. The E&P companies we own, such as Concho Resources Inc., Diamondback Energy, Inc., Parsley Energy, Inc., and Noble Energy, Inc. have high-quality assets, are well managed, generate free cash flow, have strong balance sheets, and sufficient liquidity and no existential issues even if oil remains below marginal cost for longer than we envision.

Small Cap Value Equity Performance—*Through March 31, 2020*

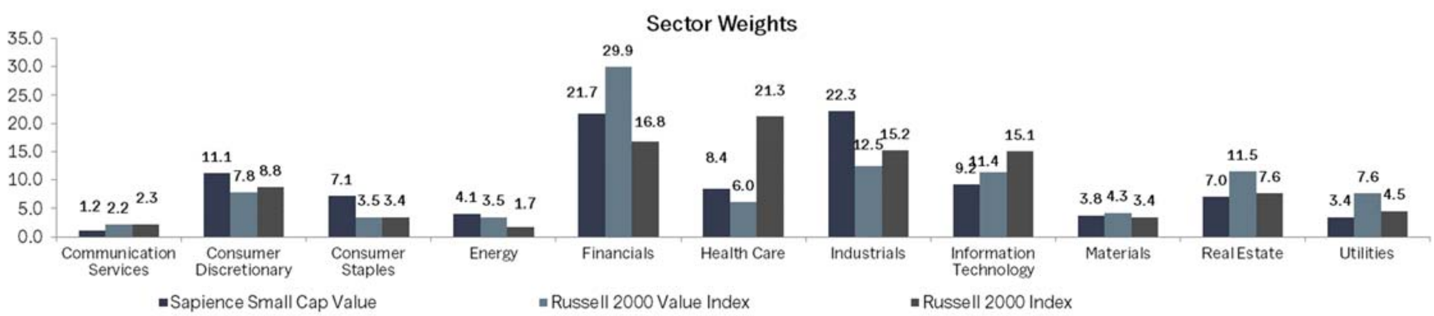
	Quarter to Date	1 Year	3 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	-43.7%	-41.8%	-16.9%	-10.7%
Sapience SCV Equity Composite (Net)	-43.8%	-42.1%	-17.4%	-11.2%
Russell 2000 Value Index	-35.7%	-29.6%	-9.5%	-4.7%
Russell 2000 Index	-30.6%	-24.0%	-4.6%	-1.0%

Sources: Advent Geneva, Russell Investments.
Inception Date: October 1, 2016
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, 2020*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	23.5%
Active Share [2] (relative to the Russell 2000 Value Index)	95.9%
Tracking Error [3]	10.4
Number of Buys[4]	17
Numbers of Sells[4]	8

[2 and 3] Please see disclosures for calculation
[4] Number of buys and sells during the quarter



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 2020

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
US Foods Holding Corp.	Diebold Nixdorf, Inc.
Diamondback Energy, Inc.	KAR Auction Services, Inc.
Noble Energy, Inc.	Redwood Trust, Inc.
IDACORP, Inc.	Samsonite International S.A. ADR
Dunkin Brands Group Inc.	Viper Energy Partners LP

US Foods Holding Corp.

On February 11, US Foods Holding Corp. reported mostly inline fourth quarter 2019 results. The company's management team forecasted 6-8% organic adjusted EBITDA growth for FY2020 and 12-15% growth including the SGA Food Group acquisition that closed last year. Even in the depths of 2009-2010 financial crisis, food service distributors only experienced low, single-digit percentage decline in volumes. However, the Covid-19 pandemic resulted in various U.S. state governments issuing orders to close restaurants and hospitality centers. Hence, unlike the recession tied to the financial crisis, this pandemic doesn't have a playbook. On March 23, management provided an update and withdrew its FY2020 guidance. Per its management team, US Food's debt is covenant lite, there are no maintenance covenants, and there are no debt maturities until 2022. While the near-term business outlook is cloudy, we believe when the situation normalizes that US Foods, and its food service peers, will participate in the long-term trend of increased spend on food consumed outside the home.

Diamondback Energy, Inc.
Over and above the unprecedented global demand destruction due to the pandemic, oil suffered an additional supply shock when the Saudis and Russia failed to agree on production cuts. The Saudis drastically cut their global prices and announced a ramp up of production to gain market share. Diamondback Energy, Inc. sold off significantly during the quarter because of the dual shock. However, the company's stock price bounced hard from the bottom. Diamondback has slightly more leverage than some of its larger, high-quality peers, but it does not have any liquidity issues. The company has been proactive in addressing the downturn by adjusting its hedges to remove the 3-way collars that didn't give it downside protection plus lowering their capex to align with the lower oil prices. They are still going to produce a healthy amount of free cash flow this year and they have a history of being one of the lowest cost producers in North America as well as having stellar execution.

Noble Energy, Inc.
Noble Energy, Inc. was also impacted by the dual shock suffered by oil. The company's stock performed worse than some of its peers early in the quarter, but outperformed from the bottom as investors realized that half of its cash flows are tied to their Mediterranean natural gas assets. These assets have stable long-term contracts with a floor price of $5/MCF (as perspective, U.S. natural gas prices are currently at $1/MCF). In addition, Noble Energy has no near-term debt maturities and plenty of liquidity.

IDACORP, Inc.
We took advantage of the sell-off in the markets due to the Covid-19 epidemic to initiate an investment in IDACORP, Inc. The company is a regulated utility and serves markets in Idaho, Oregon, Nevada, and Wyoming. IDACORP's stock recovered from an oversold level towards the end of the quarter.

Dunkin' Brands Group Inc.
During the quarter, we initiated an investment in Dunkin' Brands Group, Inc., once again taking advantage of a sell-off in restaurant stocks due to the Covid-19 epidemic. We are extremely familiar with this business and consider it a well-run, high-quality company. Dunkin' is a leading quick service restaurant franchisor, operating both Dunkin' coffee and Baskin-Robbins chains with more than 20,000 locations. Their Dunkin' business has a strong coffee brand and their franchise model allows them to generate stable and strong cash flows. While they will be impacted near term due to store closures and social distancing, they should recover quickly once these measures are relaxed.

Diebold Nixdorf, Inc.
On February 11, Diebold Nixdorf, Inc. reported inline results for revenue and EBITDA for Q4 2019. For 2020, management guided lower revenues due to divestiture and forex, but also noted improved operating profits due to higher cost savings. More importantly, Diebold's management team is targeting to reduce net leverage to less than 4x by the end of 2020 through improved free cash flows and operating profitability. In addition, management was planning to refinance its high-cost term loans and extend the maturity. To this end, the company obtained approval from a majority of its term-loan lenders in February. However, before management could complete the refinancing, the credit markets were disrupted by the coronavirus global pandemic. On March 27, Diebold's management issued a press release and withdrew its FY2020 guidance due to macro concerns. U.S. Department of Homeland Security has deemed ATM services essential. As a precautionary measure, management drew down the company's revolver. Furthermore, its management team plans to accelerate cost savings measures. In these uncertain times, we believe that the bulwark of our investment thesis concerning the stability of its services segment and cost savings remains intact. Once the global environment normalizes, we believe we will resume the journey of realizing value from our investment in Diebold through cost savings and deleverage.

KAR Auction Services, Inc.
KAR Auction Services, Inc. was working on various initiatives to improve profitability towards the end of 2019 and into 2020. These included consolidating the ADESA and TradeRev sales forces, improving margins for ancillary services, lowering losses at TradeRev, and reducing SG&A expenses. The company was making good progress, with results above internal projections through February. In mid-March the company's operations began to feel the impact of Covid-19 as demand for wholesale vehicles declined. Management made the decision to hold all auctions online only starting March 16, and on March 20 announced a halt to physical auctions in North America. With many automotive dealers closed, demand for wholecars at auction has significantly decreased. The company has taken various steps to lower expenses. Through the end of the second quarter the top three executives agreed to work without pay, the rest of the executive team took 50% salary reductions, and Directors agreed to forgo their compensation. The company furloughed the majority of its employees and will bring them back as the company is allowed or reopen locations or restart operations. KAR Auction has ample liquidity with over $350 million of cash. As a result, the company decided it did not need to draw on its revolver. KAR Auction has had to lease additional land to store vehicles, which the company should be able to sell once market conditions begin to stabilize. Although the company

maintains a solid balance sheet and has taken steps to manage near-term conditions, we believe the stock has been unfairly grouped with other automotive stocks.

Redwood Trust, Inc.

California-based REIT, Redwood Trust, Inc. finances, manages, and invests in residential and commercial real estate mortgages and securities backed by such loans. The Covid-19 crisis triggered a liquidity crisis among companies in the mortgage REIT space as panicked lenders recalled loans and forced a rapid re-valuation of the underlying assets. Based on management's representations, we are confident that Redwood Trust will not suffer the terminal fate of many of its peers. The company was able to meet its margin calls, it has a healthy buffer of available cash on hand, management has sold assets at reasonable prices, and maintains a diversified set of sources of liquidity, which should enable it to weather the storm. Unfortunately, the mortgage market dislocation adversely impacted Redwood Trust's book value. After the first quarter closed, management reported that book value would be down 52-56%. Redwood Trust shares currently trade at a substantial discount to our downwardly revised estimate of book value.

Samsonite International S.A. ADR

Samsonite International S.A. is the world's largest luggage company with different brands serving the entry level, mid-market, and luxury segment. The company's stock price was reflecting optimism in early January, as investors were hopeful that Samsonite was going to see some benefit from the de-escalation of the tariff war between the U.S. and China. However, that optimism soon gave way to worry after the news of China's Covid-19 outbreak. Going into the middle of February and March the company's stock price declined more than 50% as the virus spread globally and travel restrictions were put in place in most countries. Samsonite hosted its Q4 FY 2019 call in mid-March and the company expects its first quarter sales to be down 25-30% with a similar or slightly worse decline in the second quarter. The company has been through similar epidemics—SARS and MERS. In addition, the company successfully navigated the post 9/11 world. During their earnings call, they discussed 9/11 specifically and the impact on their business in the U.S. Samsonite's management team believes the company has ample liquidity to manage the decline in sales for the year and will gain market share coming out of this recession as smaller competitors will be challenged for the next few years.

Viper Energy Partners LP

Viper Energy Partners LP suffered disproportionately due to the oil downturn. This was primarily because their strategy of rolling-up fragmented mineral rights owners in Permian is expected to hit a snag, and should ultimately lower their growth rates. In addition, lower production by Diamondback (their parent company) and other producers will result in a lower royalty income for them. Finally, their dividends might need to be cut as they distribute a big portion of their income as dividends. We exited the position during the quarter in favor of better risk/reward opportunities.

SMID Cap Value Equity Performance—*Through March 31, 2020*

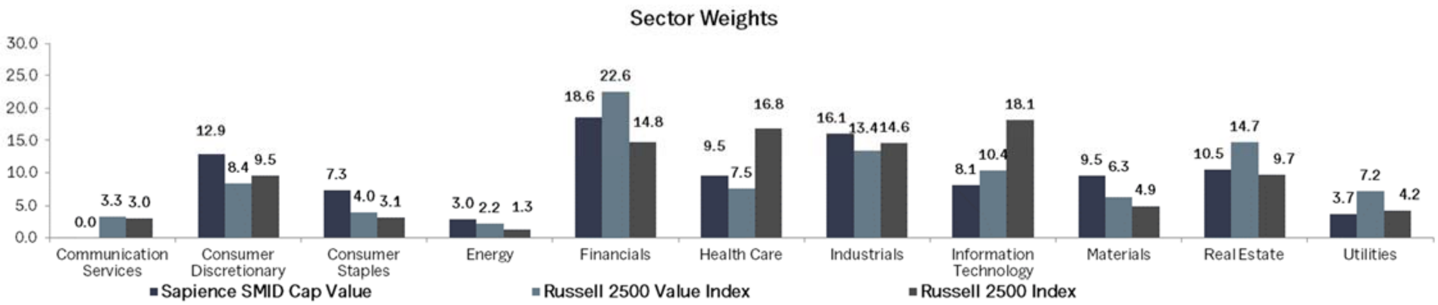
	Quarter to Date	1 Year	3 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-39.5%	-34.7%	-14.2%	-9.2%
Sapience SMID Cap Value Equity Composite (Net)	-39.6%	-35.1%	-14.7%	-9.7%
Russell 2500 Value Index	-34.6%	-28.6%	-8.4%	-4.4%
Russell 2500 Index	-29.7%	-22.5%	-3.1%	0.1%

Sources: Advent Geneva, Russell Investments.
Inception Date: October 1, 2016
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, 2020*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	27.3%
Active Share [2] (relative to the Russell 2500 Value Index)	94.5%
Tracking Error [3]	6.0
Number of Buys[4]	9
Number of Sells[4]	5

[2 and 3] Please see disclosures for calculation
[4] Number of buys and sells during the quarter



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., KAR Auction Services, Inc., and Samsonite International S.A. ADR 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 2020

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Hasbro, Inc.	Diebold Nixdorf, Inc.
Portland General Electric Co.	KAR Auction Services, Inc.
Genpact Ltd.	LKQ Corp.
TreeHouse Foods, Inc.	Samsonite International S.A. ADR
CyrusOne Inc.	Capri Holdings Ltd.

Hasbro, Inc.
Hasbro, Inc. is a leading branded entertainment company that designs, manufactures, and markets toys and games, including Marvel, Star Wars, Transformers, Nerf, My Little Pony, and Monopoly among others. We were able to take advantage of the sell-off in the markets to initiate an investment in this high-quality franchise at what we believe to be a depressed price. Toys and games generally hold up well in a recessionary environment. At the end of 2019, Hasbro acquired Entertainment One, a media business. While this is an attractive acquisition with a clear strategic rationale, the integration of this acquisition is the key execution risk over the next three years.

Portland General Electric Co.
Portland General Electric Co. is an electric utility serving more than 50 cities in the state of Oregon, including Portland and Salem. During the first quarter, we took advantage of the sell-off in the markets and initiated our investment in this Utility company. Portland General's stock price quickly recovered from what we believe to be an oversold level.

Genpact Ltd.
Genpact Ltd. provides business process outsourcing (BPO) services to companies in the U.S. and Europe. Their range of services include outsourced services for accounts payables/receivables as well as regulatory and compliance filings. Their services help companies reduce G&A expenses. In addition to BPO services, Genpact provides IT consulting and analytics. Their clients span four industry verticals: banking/finance, consumer goods, industrials, and healthcare. Genpact and its competitors are expanding into a growing market for outsourced services and its contracts are usually 3-5 years with exceptional renewal rates. When the global business environment normalizes post the Covid-19 pandemic, Genpact should continue to benefit from the long-term secular trend towards outsourced services.

TreeHouse Foods, Inc.
TreeHouse Foods, Inc. is a leading manufacturer of private label and branded packaged foods and beverages in North America. The company's stock outperformed during the quarter as its products should see increasing demand from pantry stocking and increased level of cooking at home during this period of Covid-19 induced social distancing.

CyrusOne Inc.
CyrusOne Inc. is a disruptive force in the wholesale data center and retail colocation service markets, seizing market share on strong leasing momentum with both hyper-scale and enterprise customers. The company's defensible

competitive advantage comes from its industry-leading suite of development tools and its enterprise-oriented salesforce. We added the stock to the portfolio early in the quarter as CyrusOne's shares fell, now out-of-favor and trading at a discount to its larger peers due to substantial investments that management is undertaking to expand internationally. CyrusOne's international expansion plans should strengthen the company's competitive position and cloud offerings, while it is supported by a sound balance sheet and capital structure that prudently maximizes returns. Management indicates that Covid-19 has not materially affected operations as all of the data centers and people associated with them have been deemed critical, and there has not been a slowdown in construction projects. CyrusOne entered the year with a stable liquidity position, diversified revenue streams, and a strong pipeline of multi-megawatt deals that now have a high probability of being converted into new contracts. The prospect of mid-double digit FFO growth over the next three years and a narrowing of the valuation gap to peers should yield a considerable upside to CyrusOne shares.

LKQ Corp.
LKQ Corp. is a leading supplier of replacement parts and components for the automotive market. The company provides reconditioned, recycled, remanufactured, and aftermarket parts to collision repair shops and mechanical repair shops. LKQ's stock sold off along with other auto related stocks, even though the company's business is not tied to new auto builds and is generally more defensive in nature. Near term, the business will be impacted since repair shops remain closed and less miles are being driven. However, this business should recover quickly once normal activity resumes in the U.S. and Europe.

Capri Holdings Ltd.
Capri Holdings Ltd. is a global fashion group with two luxury brands—Jimmy Choo and Versace—and one aspirational luxury brand—Michael Kors. During the quarter, Capri's stock declined 72% due to the impact of Covid-19. Near term, the business will be heavily impacted as retail stores will remain closed until early June and their luxury business will be impacted in a recession. The company's management addressed the liquidity concerns by pushing out its 2020 debt maturity by three years. Capri has $800 million of liquidity, including $500 million of cash on its balance sheet, to withstand the near-term impact of lost business. This business generates strong free cash flow and the debt was rated investment grade up until recently. While the business will suffer near term and the earnings could take time to recover to FY 2019 levels, we believe that these brands are strong and the investment offers an attractive risk reward at the current price.

Outlook

There is not a silver lining per se to this quarter. Equity investors have suffered tremendous losses, especially Small Cap Value investors. That said, we see tremendous opportunity for alpha in our portfolios over the next 1 to 3 years. We believe the current opportunity set is rare and we couldn't be more excited by the upside potential we see within our universe of stocks. This feels like one of those "three in a lifetime" opportunities that a crisis provides. Though we have upgraded with several new investments, we believe that 70-80% of this alpha will come from companies we owned pre-decline. The market is too black and white regarding quality—if a business is levered beyond a certain percentage, it is tarred with the low-quality categorization. Computers and ETFs cannot parse through capital structures or perform diligent credit analysis. This is where fundamental analysis has an edge and it will be extremely useful over the next few years.

A natural inclination is to search for historic market scenarios that seem to mirror the current environment and study what has worked. While this comes with caveats, as no two markets will react the same and this one may be quite different due to the unique nature of the circumstances, there is enough evidence pointing to some behavior to provide a high level of confidence. Market valuations were stretched until February 21, 2020 in the U.S .and priced for perfection in certain areas—defensives and growth/momentum due to investors fear of being in a late cycle environment. Covid-19 became the catalyst that brought a sharp correction in the markets at an unprecedented speed. By now, the early doubts are clearing up whether the economy is in a recession and a consensus is forming that it will likely take longer than two quarters to emerge from this downturn despite the record monetary and fiscal stimulus. Value stocks sell at approximately a 60% discount to the stable part of the market based on trailing P/Es, the third-widest differential in 70 years. As of this writing, investors' enthusiasm for growth stocks has yet to fade. Hell hath no fury when growth stocks get scorned!

The best investments are often undertaken in an environment when the outlook is circumspect to panicked. The current environment fits this description to a tee. Based on our absolute return criteria, this is the best opportunity we have experienced in the value space and within the smaller cap universe since the GFC. We have been quite active in upgrading our portfolio and taking advantage of dislocations in specific high-quality businesses. Historically, going into sell-offs like the current one, our strategy underperforms due to our exposure to turnaround businesses and higher leverage in certain investments. Additionally, like many price driven investors, we are often early in repositioning our portfolios. However, as the financial conditions begin to normalize, we should outperform meaningfully coming out of such downturns

It is not clear at this time whether the Covid-19 shock will be transitory or permanent. Our view is that it will inflict more serious damage than a typical transitory shock but less severe than what transpired after the 1930s depression or the GFC. The U.S. economy was on a solid footing until February and then the economy was abruptly shut down. We are going to see some ugly numbers in the near term. The speed of recovery is difficult to model because the sudden stop was deliberate. We believe that investors should make realistic and conservative assumptions about the near term, but this does not mean that they should be pessimistic regarding the return opportunities over the medium term. Investor comfort is a poor gauge for evaluating risk exposure. If investors are myopic and obsess over near-term earnings, they could miss out on exceptional returns when markets start pricing in more normalized earnings and true fundamental values. After all, the intrinsic value of a business is not derived by merely placing a multiple on its next 12-month's earnings.

Before we close our letter, we want to take a moment to recognize the situation at hand. We have all been impacted by this global tragedy—some in ways that are beyond comprehension. We extend our best wishes for safety and health to you and your loved ones. We extend our deepest gratitude to those working tirelessly to save lives and provide essential services while putting their own lives at risk. We hope for an expeditious resolution to this pandemic.

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.

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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] Sustainable Franchises: These are businesses with distinctive competencies, durable moats, financial strength, and favorable industry dynamics.

[2] 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

[3] 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 β = Historical beta

[5] Matthews, Chris. "Value stocks are trading at the steepest discount in history." *MarketWatch*, June 29, 2019.

Russell 2000 Index: The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2500 Index: The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2000 Value Index: 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.

Russell 2500 Value Index: 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.

Russell 2000 Growth Index: The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2500 Growth Index: The Russell 2500 Growth Index is designed to measure the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index: The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

Russell Mid Cap Index: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index.

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
2019	22.17	21.43	22.39	0.23	18.56	15.90	13	$610.15	$773.40

*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, 2019. 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 presented from 2016 through 2018.
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
2019	28.19	27.48	23.56	0.09	17.46	14.43	8	$163.26	$773.40

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

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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.
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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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