Market Review

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity." The famous opening passage from Dickens' novel, *A Tale of Two Cities,* aptly sums up the current investing environment. Fixed income markets are signaling an onslaught of a recession, while the S&P is implying smooth sailing ahead. In the past year, the 10-year U.S. Treasury Bond yield has fallen approximately 80 bps, long-term interest rates at around 2.0%, are below short-term interest rates at 2.25% to 2.5%, and money market investors are discounting a 50 to 75 bp reduction in official rates before year end. Normally these developments are associated with a substantial contraction in economic activity. Meanwhile, the S&P 500 equity index touched new highs in late June. Resolving this puzzling contradiction between the bond and equity markets is difficult.

For the year, headline S&P 500 earnings growth has been near 3% indicating that nearly all of the 18.5% return is due to multiple expansion, mostly in defensives and higher-growth stocks. The trend of investors favoring growth over value and large caps over small caps has continued this quarter. One pronounced new wrinkle over the last 12 months has been the market's preference for low volatility equities—represented by the superior results in Minimum Volatility Indexes as well as lower volatility stocks. Surprisingly the latter group now includes semiconductor companies and technology-related growth companies, which have historically been considered cyclical and high beta.

It is not unusual for the volatility in capital markets to rise in the latter stages of an economic cycle. The fact that this is now officially the longest U.S. recovery in recorded history is certainly one causal factor bringing volatility back with a vengeance. Since last September, the equity markets have experienced one very bad quarter, followed by a very strong quarter, and then a more neutral quarter. The most recent quarter began with the S&P 500 rising 4% in April, followed by 6% decline in May (mainly in response to an abrupt end to ongoing trade negotiations between China and the U.S.), and finally rallying 7% in June.

The turnaround from Q4'18 to Q1'19 was understandable given dramatic changes in Fed policy, declining bond yields, a surge in oil prices, and increasing strength in corporate earnings. The volatility this past quarter seems to be driven by fluctuations in investor sentiment, and traders have focused on four main points in cycling between their risk-on and risk-off actions:

- Persistent signs that global growth rates will remain low.
- Fed and European Central Bank language and observer interpretations suggesting that there will be multiple rate cuts in the coming year.
- Ongoing trade conflicts between the U.S. and China.
- Downward oil price projections.

Today there is little evidence to support the thesis that the U.S. economy is poised to roll over. First quarter GDP growth was a robust 3.1%, aided by an inventory build-up and better net exports. As the second quarter ended, the authoritative FRB Atlanta GDPNow real-time model is predicting 2.0% growth, in line with consensus estimates of trend growth. While we remain watchful, softness in manufacturing business confidence may also exaggerate pessimism—the PMI series has simply returned to its mean level across the past three complete economic cycles. Balancing the pessimists' concerns, we observe that the unemployment rate is at a 50-year low, driving consumer confidence to elevated levels that ensure household spending is strong enough to support decent economic growth.

By the end of the quarter, the environment—the news and investor behavior—has shifted more toward the normalization to which we have underwritten the strategic positioning of our strategies. Two such events that occurred at the end of the second quarter are the U.S. and China trade truce at the G20 Summit and the OPEC announcement of continued production cuts for 6 to 9 months to firm up oil prices. The last week of June saw some large equity price moves to the upside. Despite the trade-related weakness in May, the broad U.S. equity market was up more than 4% for the quarter (represented by the S&P 500); however, more than one-third of the index constituents generated negative returns. These laggards were led by tobacco stocks, Consumer Discretionary, Energy, and Consumer Staples. Tech and Industrials were the strongest performing sectors in the second quarter. By style, the broad market growth stocks (Russell 3000 Growth) led value stocks (Russell 3000 Value) by a slim margin—4.5% vs. 3.7%.

Russell Index Returns—*As of June 30, 2019*

	Quarter to Date	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	2.1	17.0	-3.3	12.3	7.1	13.5
Russell 2000 Value Index	1.4	13.5	-6.2	9.8	5.4	12.4
Russell 2000 Growth Index	2.8	20.4	-0.5	14.7	8.6	14.4
Russell 2500 Index	3.0	19.3	1.8	12.3	7.7	14.4
Russell 2500 Value Index	1.9	15.3	-1.9	9.0	5.6	13.3
Russell 2500 Growth Index	4.1	23.9	6.1	16.1	10.0	15.7
Russell Mid Cap Index	4.1	21.4	7.8	12.2	8.6	15.2
Russell 1000 Index	4.3	18.8	10.0	14.2	10.5	14.8

Sources: Russell Investments.

Small- and Mid-Cap Market Review

In a reversal from the previous quarter, large cap stocks edged smaller caps—the Russell 1000 up 4.3% vs. the Russell 2000 up 2.1%—primarily due to more damage in the smaller cap segment during the month of May. Growth continued to edge out value in both the Russell 2000 and Russell 2500 indices for two of the three months (April being the exception), culminating in an approximate 2% spread favoring growth for the quarter. Sector performance was disparate for the quarter, with a 15% spread between the best and the worst sectors in the Russell 2000 Value and a 19% spread in the Russell 2500 Value. The sector tone was similar in both indices, as Consumer Staples and Energy were the dominant laggards and Financials and Industrials were the market leaders. Energy was hit particularly hard in the Russell 2500 Value Index, declining more than 12%.

Notably, the Russell 2000, with its more cyclically sensitive profile, underperformed the S&P in the second quarter and meaningfully underperformed over the last year. Small cap companies should have performed better than large caps in the second quarter due to their lower exposure to trade risk and a healthier domestic economy. The failure of small caps to recover to 2018 levels, and their valuation multiple being at a double-digit discount to large caps should be a cause for concern for the overall market. Five years ago, small caps were trading at a premium of approximately 40% relative to large caps. The majority of the small cap multiple compression has occurred in the last year and deserves further thought, as it is similar to what transpired in 2007.

Portfolio Strategy and Key Exposures

In the strong first quarter, our strategies generated excess returns of 6.2% (Small Cap) and 5.7% (SMID), and in the more neutral second quarter we gave back a little over half of these relative results to yield year to date excess returns of 2.4% for Small Cap and 1.3% for SMID. A majority of the underperformance was in May—a difficult month for small caps, in which the Russell 2000 Value Index was down 8.2%—right after the tariff talks between the U.S. and China came to an abrupt halt. We would not expect that a strong quarter would necessarily be followed by weakness, but these markets went into a risk-off mode and continued to favor defensives and growth. During this time, we continued to struggle in one particular sector—Consumer Discretionary. Since portfolio construction is based on each company's fundamentals over a three- to four-year time horizon, it is not advisable to alter portfolio positioning in response to a fluid geopolitical issue such as the current tariff negotiations.

Our Small Cap Value strategy added value in six of the eleven sectors during the quarter. Industrials were a particular strength, as some of our larger positions, such as KAR Auction Services, Inc. and Beacon Roofing Supply, Inc., were up significantly. Only Stericycle, Inc. generated a noteworthy loss for the quarter, after being up significantly in the first quarter. Financials, our largest absolute sector at 25% (though slightly underweight the Russell 2000 Value index of 29%), generated a slight edge in stock selection relative to the Index. Our difficulties in the portfolio centered on Consumer Discretionary and, to a lesser degree, the Energy sector. Consumer Discretionary continued to provide a headwind in the portfolio as our stocks, in aggregate, were down approximately 20% relative to the -4.7% Index return for the sector. Ascena Retail Group, Inc., Samsonite International S.A., and Dave and Buster's Entertainment, Inc. were among the major casualties during the quarter. Samsonite and Dave and Buster's are high-quality franchises that are going through, what we believe to be, transient issues. Ascena has been a turnaround that showed promise last year but has failed to deliver the last two to three quarters due to broad weakness in the apparel retail sector. In Energy, where we have been slightly overweight, our service companies were hit hard with companies such as Forum Energy Technologies, Inc. down approximately 33%. In this sector, Exploration companies have become more disciplined in their spending, which has negatively impacted the operating results of the Service firms. In May, we reduced our energy positions, which resulted in our sector exposure nearing market weight. Finally, in Technology, Diebold Nixdorf, Inc., which was a star in the first quarter, gave back 17% in the second quarter. Our underweight in the sector and the performance of this stock cost the portfolio approximately 80 basis points in relative return.

The SMID Cap portfolio experienced similar results in Consumer Discretionary, as our positions performed poorly and cost the portfolio approximately 260 basis points in performance relative to the Index. While we have a market weight in the Technology sector with three holdings, our weight in Diebold detracted from relative performance by approximately 1%. Industrials added value, though not to the same degree as in our Small Cap strategy, as we are not as overweight relative to the Index and our holdings are more concentrated. The main difference between Small and SMID Cap from a sector perspective was in Energy, where SMID essentially equaled the Index result. Without the exposure to some of the smaller E&Ps and oil service stocks, our security selection was not a hindrance during the quarter.

Small Cap Value Equity Performance—*Through June 30, 2019*

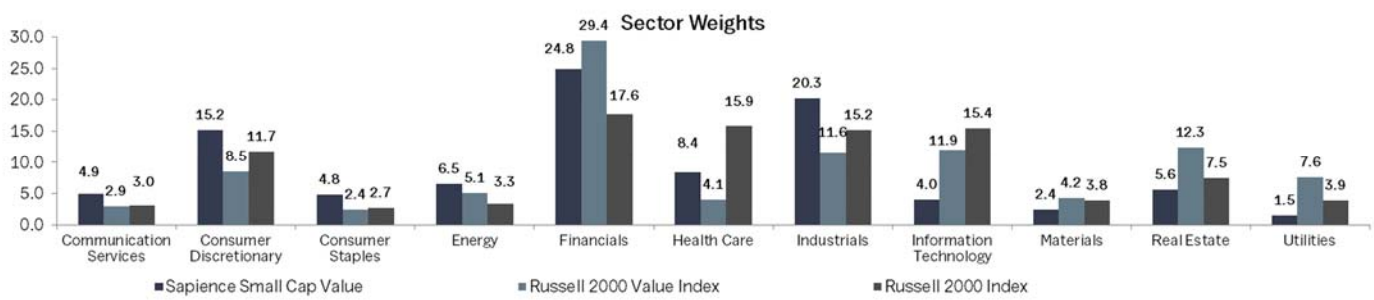
	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SCV Equity Composite (Gross)	-1.9%	15.9%	-10.0%	4.7%
Sapience SCV Equity Composite (Net)	-2.1%	15.5%	-10.5%	4.1%
Russell 2000 Value Index	1.4%	13.5%	-6.2%	7.4%
Russell 2000 Index	2.1%	17.0%	-3.3%	10.0%

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, 2019*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	27.8%
Active Share [1] (relative to the Russell 2000 Value Index)	96.1%
Tracking Error [2]	6.4
Number of Buys	3
Numbers of Sells	2

[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 2019

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
KAR Auction Services, Inc.	Ascena Retail Group, Inc.
e.l.f. Beauty, Inc.	Diebold Nixdorf, Inc.
Beacon Roofing Supply, Inc.	Forum Energy Technologies, Inc.
Sterling Bancorp	Cars.com Inc.
Air Lease Corp.	Dave & Buster's Entertainment, Inc.

KAR Auction Services, Inc.
KAR Auction Services, Inc.'s shares declined meaningfully when the company reported its fourth quarter 2018 results. The decline was due to poor communication regarding long-term trends in its whole car business, ADESA, continued spending to grow its dealer-to-dealer auction platform, TradeRev, and mixed messaging regarding plans to spin-off its salvage business, Insurance Auto Auctions. Management has since provided clarification regarding its long-term view regarding the ADESA business. More importantly, the company completed the spin-off of Insurance Auto Auctions in late June, driving a revaluation of the business on a stand-alone basis and confirming that it was previously being undervalued while it was a part of KAR Auction. These events resulted in strong performance for KAR Auction's shares—although we believe the value of TradeRev is still not accurately reflected in KAR Auction's share price.

e.l.f. Beauty, Inc.
During the quarter, e.l.f Beauty, Inc. posted solid returns. Some of the channel data is tracking much higher than the negative comp guidance provided last quarter by the firm's new CFO for fiscal year 2019. We believe investors are attracted to the growth trajectory this business can regain after stumbling last year.

Beacon Roofing Supply, Inc.
Beacon Roofing Supply, Inc. reported quarterly results that were better than those pre-announced by the company in late March. The quarter ending March 31, 2019 was negatively impacted by poor weather conditions that limited the number of available selling days in the period. Roofing customers cannot work on roofs when conditions are wet or the weather is too cold. However, sales trends improved towards the end of the quarter and into April. Additionally, Beacon continues to make fair progress with its integration and synergy capture from the Allied acquisition. The company is now past the most difficult year-over-year growth comparisons and will face easier comparisons starting with the June quarter end. Beacon is making good progress overall and should be able to continue paying down debt and lowering its risk profile.

Sterling Bancorp
Shares in New York-based Sterling Bancorp appreciated in the second quarter after reporting robust first quarter results, highlighted by net interest margin expansion, strong loan growth, and solid levels of capital deployment with the repurchases of 8 million shares. Upbeat management guidance forced sell-side analysts to raise their full year earnings expectations for Sterling even though the environment for banks has turned more challenging. Looking forward, Sterling's ongoing balance sheet remix effort coupled with less fearsome deposit competition in the region should enable the bank to sustain, or even improve, their top-tier profitability metrics. This should likely trigger a share re-rating from 10x to 12x, in line with peers' forward market PE multiple.

Air Lease Corp.
Los Angeles-based Air Lease Corp. purchases, sells, and leases commercial aircraft worldwide. Air Lease's shares rose during the quarter, reflecting investors' growing confidence in the company's ability to execute a disciplined growth strategy and manage airline risk to drive steady growth. Continuing aircraft delivery delays from Boeing and Airbus effectively shifts earnings forward and does not materially alter Air Lease's long-term growth outlook. With its young aircraft fleet, large order book, low financial leverage, favorable operating leverage, and excellent management team, we continue to find Air Lease's shares attractive.

Ascena Retail Group, Inc.

Ascena Retail Group, Inc.'s stock price declined meaningfully on a percentage basis (nearly -44%, being an approximately $1 stock) after issuing weak guidance for their fiscal fourth quarter, as the company had elevated inventory in their Premium and Kids segments, requiring aggressive promotions. Management had planned for a higher level of sales as they were posting strong comps last summer and fall. The markets are pricing in a dire scenario—questioning the survival of Ascena. In our view, the company has ample liquidity in the near term, including over $300 million in cash (with $210 million recently received from selling half their ownership in Maurices). Over the next two quarters, they should generate some additional cash from working capital.

The last three quarters have been challenging for most apparel retailers and Ascena has not performed any better. Ascena's Premium and Kids segments were executing well during summer and fall (calendar year 2018) and executing better than their peers and posting solid high-single digit to double-digit comps up until the fiscal first quarter ending October 31, 2018. Ascena's fiscal 2019 year was important in this turnaround, and the company has disappointed. Sales comparisons should get easier starting with the holiday quarter for this year; however, the next eighteen months are critical, as the company has 18 to 24 months to improve performance and sell one or more concepts in order to reduce debt before its August 2022 term loan maturity date.

Diebold Nixdorf, Inc.

Diebold Nixdorf, Inc. reported first quarter results that were better than consensus and profitability that was higher than expected. More importantly, Diebold delivered improved free cash flow when compared with last year. However, Diebold's management team reiterated their previously provided guidance for fiscal year 2019. While there was nothing specific in the report that would cause concern, we surmise that Diebold's stock sold off because its management team didn't raise the guidance. We believe that it is prudent for Diebold's management team to take measured steps as it goes about its restructuring program.

Forum Energy Technologies, Inc.

Forum Energy Technologies, Inc. reported a solid quarter—slightly beating expectations, generating free cash flow as promised, cutting costs (SG&A), and taking share in their newly introduced products. After its earnings call, Forum's stock price rallied. The rally was short lived, however, and over subsequent weeks its share price declined as oil prices plunged 15% to 20%. An additional hindrance to Forum was the ongoing belief by investors that North American E&Ps would continue to exercise discipline in capital spending, which directly hinders service companies like Forum.

Cars.com Inc.

Shares of Cars.com Inc. declined slightly during the quarter as the strategic review process is taking longer than previously anticipated by investors. It is now expected to be complete in the next few months.

Dave & Buster's Entertainment, Inc.

Dave & Buster's Entertainment, Inc.'s stock price declined during the quarter as management lowered comp guidance for the year from +0.75% at the mid-point to -0.5%. Management cited negative comps in their Food and Beverage business and increased competition in certain other markets. While, we don't disagree that new competitors can pressure traffic in the near term, Dave & Buster's has the greatest scale in its industry and has faced competitors before in several of its markets. We added to our position on weakness, as we believe that issues in improving Food and Beverage as well as engagement with adult customers are fixable in the medium term. In addition, this business has high returns on capital, generates solid cash flows, and is one of the few concepts that is growing its footprint in the U.S. We believe that the private market value of this business far exceeds the current public market value.

SMID Cap Value Equity Performance—*Through June 30, 2019*

	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-2.0%	16.5%	-10.6%	**2.6%**
Sapience SMID Cap Value Equity Composite (Net)	-2.1%	16.2%	-11.0%	**2.0%**
Russell 2500 Value Index	1.9%	15.3%	-1.9%	**7.5%**
Russell 2500 Index	3.0%	19.3%	1.8%	**11.0%**

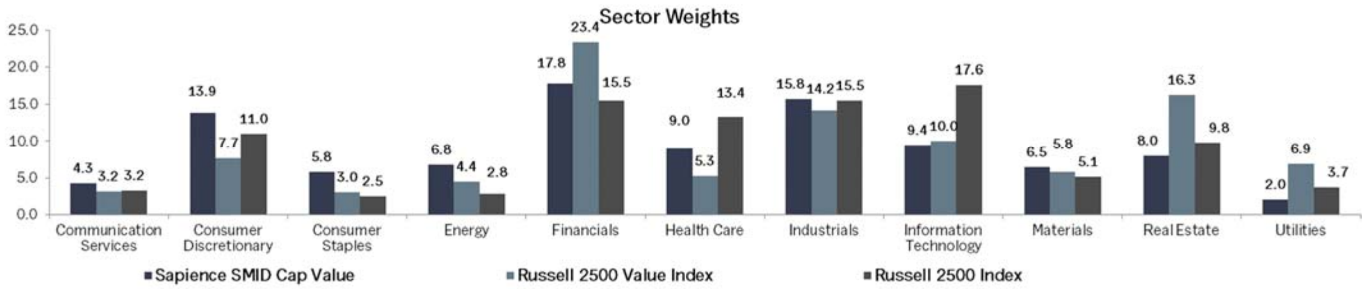
Sources: Advent Geneva, Russell Investments.

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, 2019*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	29.9%
Active Share [1] (relative to the Russell 2500 Value Index)	95.7%
Tracking Error [2]	7.2
Number of Buys	5
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. KAR Auction Services, Inc., Beacon Roofing Supply, Inc., Diebold Nixdorf, Inc., Ascena Retail Group, Inc., Cars.com Inc., and Forum Energy Technologies, Inc. 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 2019

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
KAR Auction Services, Inc.	Diebold Nixdorf, Inc.
Beacon Roofing Supply, Inc.	Ascena Retail Group, Inc.
RenaissanceRe Holdings Ltd.	Cars.com Inc.
Axalta Coating Systems Ltd.	Forum Energy Technologies, Inc.
AerCap Holdings N.V.	Samsonite International S.A. ADR

RenaissanceRe Holdings Ltd.
RenaissanceRE Holdings Ltd.'s shares were relative outperformers, appreciating slightly during the quarter. Headquartered in Bermuda, this global provider of reinsurance and insurance enjoys enduring analytical advantages with its digital offerings and increasingly diversified earnings sources. RenaissanceRe has posted strong returns in the past year due to rapid premium growth and lower accident-year loss and expense ratios. The company also recently completed an acquisition of Tokio Marine's European reinsurance business, which, along with improving reinsurance pricing, should enable RenaissanceRe to reshape its portfolio and drive higher profit growth that should support continued robust book value growth.

Axalta Coating Systems Ltd.
In June 2019, Axalta Coating Systems Ltd. issued a press release stating that its board of directors initiated a comprehensive review of strategic alternatives to maximize shareholder value. The strategic alternatives included in the release were potential sale of the company, changes in capital allocation, and continued execution of current strategic plans. We were aware of earlier corporate strategic buyer interests in Axalta as early as November 2017. However, when we initiated our position, our interest in Axalta was triggered by the discount at which its shares were trading (in the general market dislocation during the fourth quarter of 2018) in relation to our estimate of discounted cash flows as a standalone entity. Any potential M&A, if and when it happens, should close that discount earlier.

AerCap Holdings N.V.
Shares of AerCap Holdings N.V. rose in the second quarter. AerCap is the world's largest aircraft leasing company by fleet value, with sufficient market power to dictate pricing and manage untimely airline bankruptcies. AerCap reported robust first quarter earnings, reflecting the fruits of a de-risked business model, an experienced management team, and an attractive aircraft fleet. Looking ahead, AerCap should benefit from a low fuel environment, as airlines extend leases of older, less efficient aircraft at current favorable market lease rates. For a leasing company that consistently earns a healthy profit margin over its cost of capital with a high degree of visibly, AerCap's shares should trade close to or at a premium to book value rather than the discount 0.80x BV where they trade today.

Samsonite International S.A. (ADR)
Samsonite International S.A.'s stock price declined meaningfully after the company reported a small sales decline but a greater earnings decline for the quarter due to weakness in North America and Asia. China's tariffs caused a destocking in the wholesale channel in the U.S. further adding to the weakness. Samsonite's management team guided flat to slightly declining gross margin due to tariffs for the full year, resulting in a 100 bps decline in EBITDA margin. We added to the stock on weakness as we believe that we are getting an extremely attractive valuation for a leading global brand. In addition, Samsonite's stock offers a dividend yield of 4% at its current price.

Outlook

Value has historically led growth by a significant margin since these results were first measured back in the 1970's. Between 1975 and 2005, there were a few three-year periods when growth stocks were the leaders, but over moving five and ten-year periods value stocks were consistent outperformers, with lower volatility. The past ten years have been a different story, with growth outperforming and providing lower volatility. The introspective value investor must ask if there is a secular change and whether aspects of their investment thinking require evolution. In doing so, it is easy to fall back on the potential irrationality on the growth end of the spectrum—such as thinking that the network effect for Amazon is analogous to those for an Uber or Lyft. They are not. Or, that valuations within the Technology sector are unwarranted in most cases. Instead, the value investor must examine what has changed within our world, how traditional value metrics such as book value have changed in their relevance, and whether changes in technology and consumer preferences have created more "buggy whip" businesses and value traps than we have seen before. That is the new challenge for the value investor—to identify the survivors and the non-survivors in the midst of our search for underpriced businesses.

There is no question that in the last few years fundamentals have been good or even great for certain Technology businesses; however, at stretched valuations, these high-quality businesses can become overpriced and poor investments just as Cisco and Microsoft in 1999. It took Microsoft approximately 17 years to get back to even. I am not sure if Microsoft could have ever been classified as a poor-quality business; however, it made for a stellar investment at $23 in 2010, when it was still out of favor. Moving forward to today, time will tell if Microsoft proves to be a great investment at the current $1 trillion market value—in an environment where quality is all the rage. In a good economy and an optimistic environment, investors are willing to pay up for potential. On the other hand, businesses with tangible cash flows are likely to hold up better in a weaker economy, as their market values have been discounted and their intrinsic value is not dependent on speculation or conjecture. Historically, we have not been considered deep value investors. Today, a few select investments within the Consumer Discretionary and Energy sectors of our portfolios can be classified as deep value. However, we did not undertake these investments merely because they were cheap. Each business has a quality component in its structure. In a few select situations, the moats have unfortunately eroded (points we could have projected in advance), whereas, in the rest of these investments, the cash flows remain quite durable even though the stocks and their respective sectors have cycled out of favor.

Financial conditions have eased substantially since the turn of the year. Indeed, Federal Reserve policy makers have now clearly signaled that a drop in their policy rate is imminent, most likely in the upcoming July FOMC meeting. This expectation has lowered the cost of capital in the bond and equity markets, reduced risk premia for corporate borrowers, and prompted banks to ease lending conditions. Partially offsetting the stimulative effects of these moves has been a transitory increase in geopolitical tension due to the Sino-U.S. trade war and a near actual war with Iran. In the absence of an exogenous shock, investors are likely to remain in "risk-on" mode until the Fed takes away the proverbial 'punch bowl.'

Navigating the current economic and financial environment has been challenging. The next recession will most likely catch many investors off guard, giving them little time to shift their asset allocation. Our comparative advantage is not in the precise identification of macroeconomic inflection points. Rather, our time-tested, bottom-up investment process, focusing on sound businesses that are selling below their intrinsic value due to transient factors should enable us to weather a variety of economic outcomes over the medium term. As fundamental value investors with an absolute return mindset, we resist paying euphoric prices for perceived "pristine quality" businesses and instead embrace solid businesses that may be experiencing temporary challenges.

Disclosures

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

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

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

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

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

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

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

Sapience Investments, LLC
Small Cap Value Equity Composite

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

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

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

Sapience Investments, LLC
SMID Cap Value Equity Composite

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

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

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