Market Review

Most major U.S. stock indices closed the quarter at all-time highs. July and August contributed the majority of positive returns, each registering approximately 3.0% to 3.5% gains for the overall market and September adding an additional 0.4%. The leadership by the value stocks and indices from the second quarter and early July reversed in August—in favor of the large growth companies that have been so dominant over recent years. Smaller cap indices, as measured by Russell, kept pace until September when their returns were -1.5% to -2.5%. In aggregate, however, this was still a more favorable quarter for growth stocks.

It is the task of all letter writers to reconcile how the market translates good and bad economic and fundamental news into price changes. This quarter the task seems to be relatively straightforward. The positives—economic and corporate expectations delivered as annualized GDP growth exceeded 4% and corporate earnings, abetted by tax reform, grew by over 20% for the second consecutive quarter. Additionally, the job market appears favorable as do the capital spending statistics. These factors combined to fuel the best-performing equity quarter of the year. The negatives—$250 billion of Chinese imports were targeted for 10% (and potentially 25%) tariffs and the Fed imposed their third rate hike in September, which seems to have solidified expectations of rising rates and a steepening yield curve. These concerns negatively affected the stock prices of companies that use commodities and steel (e.g., appliance and auto industry participants), directly contributed to losses in the emerging markets, and likely cooled off the performance of some of the mega-cap Tech stocks.

We close this brief review with a heads-up to our readers regarding some shifting in Global Industry Classification Standards. While we applaud these attempts to recognize the increasing intersection of businesses in the Tech, Consumer, and Communications fields, these dynamics re-enforce our belief that these indices are not sacred, and that investment risk is best calibrated in absolute terms rather than index-related active exposures. Specifically, the main modification is the elimination of the Telecom Services sector, which had been one of the smallest sectors and was mostly populated by the heirs of the original telephone companies, and the addition of the newly created Communication Services sector. This new sector includes the legacy Telecom Services companies, the entire Media industry group from the Consumer Discretionary sector as well as several stocks from the Tech sector. Within the indices, we see a decline in the weightings of the Tech and Consumer Discretionary sectors and a new weight in the Communication Services sector (approximately 3% across all Russell Small and SMID Cap Indices).

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

	Quarter to Date	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	3.6	11.5	15.2	17.1	11.1	11.1
Russell 2000 Value Index	1.6	7.1	9.3	16.1	9.9	9.5
Russell 2000 Growth Index	5.5	15.8	21.1	18.0	12.1	12.7
Russell 2500 Index	4.7	10.4	16.2	16.1	11.4	12.0
Russell 2500 Value Index	2.7	5.8	23.1	14.5	10.0	10.5
Russell 2500 Growth Index	7.2	15.8	10.3	18.0	12.9	13.6
Russell Mid Cap Index	5.0	7.5	14.0	14.5	11.7	12.3
Russell 1000 Index	7.4	10.5	17.8	17.1	13.7	12.1

Sources: Russell Investments.

Small- and Mid-Cap Market Review

Based on index results, small and mid-cap stocks underperformed large caps in the third quarter. Scanning down the cap size spectrum, the broad Russell Index returns were similar to a sliding scale with large caps yielding the highest return and small caps the lowest. Regarding style, growth outperformed value by a ratio of more than 3 to 1 (5.5% vs 1.6% for Small Caps, and 7.2% vs. 2.7% for SMID Caps).

Eight of 11 sectors in both of our Small Cap indexes (Russell 2000 and 2000 Value) generated positive performance. Communication Services was the strongest absolute performer in the third quarter with returns between 10% and 13%. Negative sectors were Consumer Staples, Real Estate, and Energy. Financials, the sector with the largest weighting in the indices, was essentially neutral, up just under 1%. Year to date, Health Care and Tech have been the dominant contributors within the broad Small Cap segment.

SMID Cap, represented by the Russell 2500 series, exhibited clear strength in the Health Care and Industrials sectors. Meanwhile, on the negative side, Consumer Staples was the laggard. From the year to date perspective, Health Care and Tech were both up over 20% in the broad SMID Cap group, once again underscoring the growth theme this year.

Portfolio Strategy and Key Exposures

We had mixed results between our two equity strategies for the quarter. Our Small Cap Value strategy produced positive absolute and relative returns compared to the Russell 2000 Value index whereas our SMID Cap produced the opposite—negative absolute and relative returns. In both strategies, the wind was in our face during the month of August, where growth dominated value by a wide margin. However, in both July and September the market was style neutral. Our Small Cap strategy outperformed in both months while our SMID Cap strategy trailed in July and narrowly outperformed in September.

Stock selection in our Small Cap strategy was generally favorable and accounted for most of the outperformance during the period. The largest detractor was security selection in the Tech sector, where Diebold Nixdorf, Inc. primarily drove underperformance. (We discuss Diebold Nixdorf in Small Cap Value Equity section below.) This was, however, more than offset by strong stock selection in the larger weighted sectors of Financials and Consumer Discretionary and further augmented by Real Estate.

Conversely, stock selection led to underperformance in our SMID Cap Value strategy during the quarter. Four sectors were particularly under pressure: Tech, Industrials, Financials, and Energy. Similar to our Small Cap strategy, Tech was the largest detractor due to short-term challenges pressuring Diebold Nixdorf. Within Industrials, more than half of the relative underperformance was related to our investment in Beacon Roofing Supply, Inc. In the Financials sector, rising rates should result in many banks, including those that we own, having to pay up for deposits. This has negatively affected some of our investments, such as Signature Bank and Bank of the Ozarks, Inc. The Energy sector continues to be volatile. Here, our exposure to service companies led to our strategy lagging the index within this sector.

From a positioning perspective, within Tech, our exposure focuses on the more value-oriented companies that we believe will resist de-rating as rising interest rates impact the higher growth Tech stocks. We continue to be overweight in Specialty Retailers within the Consumer Discretionary sector. Our overweight in Energy persists given our belief that the companies we own are currently undervalued, primarily based on fundamentals but also in relation to where the underlying commodity is priced. While contrarian, we continue to maintain our exposure in Financials including select insurance and re-insurance businesses.

Additionally, we continue to own a handful of non-consensus investments within both our strategies. While the stock price performance of these companies may continue to hinder short-term performance of our strategies, we believe fundamentals and each company's business models support our estimate of intrinsic value in the long term. These out of favor investments could produce meaningful excess returns over the medium term that have a lower correlation with the markets.

To be clear, we do not think of our investment approach as being bear market oriented; however, in a rising rate environment with some segments that, in our view, seem to have stretched valuations, we can envision scenarios in which our portfolios generate excess returns versus our benchmarks and peers given a market correction.

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

	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SCV Equity Composite (Gross)	2.5%	9.1%	10.2%	13.7%
Sapience SCV Equity Composite (Net)	2.4%	8.6%	9.5%	13.1%
Russell 2000 Value Index	1.6%	7.1%	9.3%	14.8%
Russell 2000 Index	3.6%	11.5%	15.2%	18.0%

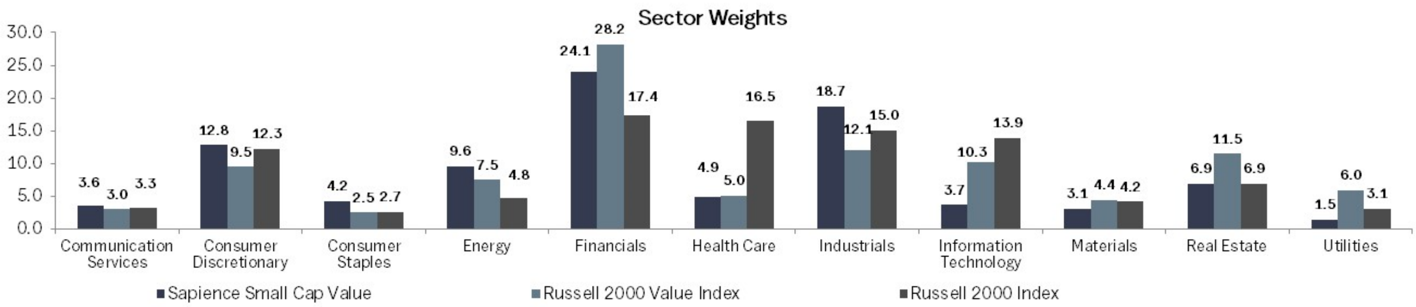
Sources: Advent Geneva, Russell Investments.

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 September 30, 2018*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	25.2%
Active Share [1] (relative to the Russell 2000 Value Index)	95.4%
Tracking Error [2]	5.3
Number of Buys	5
Numbers of Sells	4

[1 and 2] Please see disclosures for calculation



Sources: Russell Investments, FactSet.

Small Cap Value Equity

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

Top and Bottom Contributors
Third Quarter 2018

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Dave & Buster's Entertainment, Inc.	Diebold Nixdorf, Inc.
Essent Group Ltd.	The Michaels Companies, Inc.
Steelcase Inc.	Beacon Roofing Supply, Inc.
Signet Jewelers Ltd.	Forum Energy Technologies, Inc.
Continental Building Products, Inc.	Weatherford International plc

Dave & Buster's Entertainment, Inc.

Dave & Buster's Entertainment, Inc. shares appreciated during the quarter after the company reported better than expected results. This was largely due to Dave & Buster's launch of a new virtual reality offering. In addition, management is working to improve its food and beverage offering and is continuing to open new stores at attractive returns. It appears the market is beginning to recognize the undervalued growth opportunity that exists for Dave & Buster's.

Essent Group Ltd.

Shares of Essent Group Ltd. rebounded from the lows experienced during the previous quarter. In the prior quarter, the company's stock price declined when competitor MGIC Investment Corp. announced it was cutting borrower-paid mortgage insurance premiums by an average of 11%. This was further exacerbated by investors' concerns regarding the new capital standards that the company's regulator, the FHFA, was due to announce. In August, Essent reported strong quarterly results, which quelled investor concerns regarding both issues. Mortgage insurance in force growth is supported by structural tailwinds and we believe Essent is well positioned to grow faster than the industry, with modest credit costs. We continue to believe investors undervalue the double-digit EPS growth that Essent can generate over the medium term.

Steelcase Inc.

Steelcase Inc. reported a strong fiscal second quarter driven by organic growth and cost controls. Solid organic growth was a positive development following several quarters of sales declines or low single digit growth as the company focused on repositioning its product portfolio to meet changing customer preferences for office furniture. Orders were also strong in the quarter with 9% order growth in the Americas and 22% order growth in EMEA, resulting in above consensus guidance for the third quarter and fiscal 2019. An improving North America outlook provides early signals that the company's product portfolio repositioning efforts are beginning to yield benefits. Additionally, management believes the EMEA segment will approach breakeven operating income in fiscal 2019, a key milestone for the segment, which has historically operated at a loss. Steelcase continues to pay a healthy dividend with the dividend yield at around 3% and maintains a strong balance sheet with approximately 1.0x net leverage.

Signet Jewelers Ltd.

Shares of Signet Jewelers Ltd. continued to recover after reporting better than expected earnings for the second quarter and raising their annual guidance by a minimal amount. Signet continues to work on fixing its credit system integration along with merchandising, and in-store operational issues at its Kay and Jared banners; however, the market appears to be discounting improved performance going forward. We noted in prior quarters that there was significant upside to its shares if management could reverse the decline in same store sales at Kay while executing its cost-restructuring program—leading to a partial recovery of the company's historical earnings power. The stock has recovered meaningfully in the last two quarters (hence our reduction in the position size); nonetheless, we still believe Signet has the potential to leverage its scale within the jewelry industry to drive improved performance over the next 12 to 24 months. Without question, execution by management continues to remain critical.

Continental Building Products, Inc.

During the quarter, Continental Building Products, Inc.'s share price appreciated after reporting strong results. Continental posted 12% volume growth along with a sequential increase in wallboard pricing due to continued strength in homebuilding in the eastern U.S. and Canada. The ability to manage input cost inflation and generate strong cash flow bodes well for the company's outlook for the next few quarters.

Diebold Nixdorf, Inc.

Diebold Nixdorf, Inc.'s shares declined significantly during the quarter. Investors reacted negatively when management reset 2018 EBITDA guidance by $95 million from $380-$410 million to $280-$320 million. This reset not only postponed any normalization in profitability but also gave rise to immediate liquidity concerns. With this reduced EBITDA guidance, Diebold would have been in covenant violation by the end of the third quarter. Further, in their 10-Q filing and subsequent press release on August 13, 2018, Diebold announced that the minority shareholders of Wincor had put 3.8 million shares to Diebold at €55.02/share. Prior to this put, there were 6.75 million Wincor shares (out of the total 30 million shares) still outstanding (these are to be acquired by Diebold). With the additional required cash outflow and anticipated covenant violation due to reduced guidance, the stock sold off meaningfully. On August 30th, Diebold completed new financing by raising $650 million at a rate of approximately Libor + 9.25%. We believe the company's chastened management team has raised adequate financing to cover its liquidity needs while it continues to implement its new cost savings program. We do not believe the situation is as dire as the market is pricing and we continue to believe the factors we outlined in our original investment case are still valid. In addition, as a contingency plan, Diebold can sell its retail business to reduce its debt level, if its improvements in the core ATM business get derailed or take longer to materialize.

The Michaels Companies, Inc.

The Michaels Companies, Inc.'s shares declined during the quarter as the company's second quarter comps narrowly missed consensus expectations and the third quarter operating income guidance was slightly below market expectations due to higher distribution expenses and incentive compensation. The decline in same-store sales stood in stark contrast to the strong quarter reported by most retailers as the crafting industry is experiencing limited to no growth. We believe the company is pursuing the right initiatives—investing more around e-commerce fulfillment and updating stores—and that it is effectively competing against other players in the industry. While the concept is not fully immune to online competition, we believe that the company's current stock price reflects a far too pessimistic scenario.

Beacon Roofing Supply, Inc.

Beacon Roofing Supply, Inc.'s shares have been under pressure since the beginning of the year and continued to decline during the third quarter. Many factors have been impacting Beacon's stock price during this period. First, although only 20% to 25% of roofing revenues are driven by new construction, Beacon has been grouped with the housing-related stocks that have come under pressure. Second, earlier in the year, Beacon was behind in realizing the necessary price increases to offset the rising material costs from manufacturers. Beacon was able to raise prices above these material cost increases by mid-year with a slight impact to volumes. Third, there has been almost no storm activity in 2018, creating a difficult year-over-year comparison versus 2017, which had significant storm related demand from hurricanes Harvey and Irma. Finally, Beacon has high leverage due to its acquisition of Allied Building Products Corp. in January 2018. While Beacon generates attractive free cash flows, we believe these are being improperly valued. At the current share price, Beacon provides a highly attractive free cash flow yield (above 10%). Strong free cash flows will allow the company to quickly bring down leverage and continue to pursue tuck-in acquisitions. Beacon should also continue to benefit from a sizable cost synergy opportunity from its Allied acquisition.

Forum Energy Technologies, Inc.

Shares of Forum Energy Technologies, Inc. declined despite the company delivering a solid quarter with a majority of its segments performing well. Forum Energy is affected by the impending (and to some extent already occurring) slowdown in the Permian, which is due to a shortage of oil takeaway capacity and the resulting bottlenecks. Additionally, the company ramped up their inventory in the last two quarters to meet U.S. onshore completions demand; however, the temporary slowdown in the Permian could result in the company carrying excess inventory on its balance sheet. Coupled, these factors produced a headwind for the company and their shares declined during the period. Beyond these short-term factors, it is encouraging to know that approximately 75% of the demand for Forum Energy's completions- and pressure pumping-related products are maintenance related (recurring revenue) and therefore more stable in nature. In addition, Forum Energy has the potential to participate in the delayed recovery of offshore drilling and completions through their subsea segment.

Weatherford International plc

Weatherford International plc delivered second quarter results that handily beat consensus EBITDA estimates. The company demonstrated progress towards their goal of $1 billion in incremental EBITDA by the end of 2019 and showed some organic improvements in their key businesses. Undeterred by these positive developments, investors continued to put pressure on Weatherford's stock price. With operational improvement the last two quarters, the company's stock price underperformance this quarter is puzzling—especially with the rise in oil prices. It appears investors are still worried about the absolute level of the company's debt and would like further evidence that Weatherford can generate free cash flow. Weatherford's management team has shown credible execution in their turnaround plan the last two quarters and they remain steadfast in tripling the company's profitability by end of 2019.

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

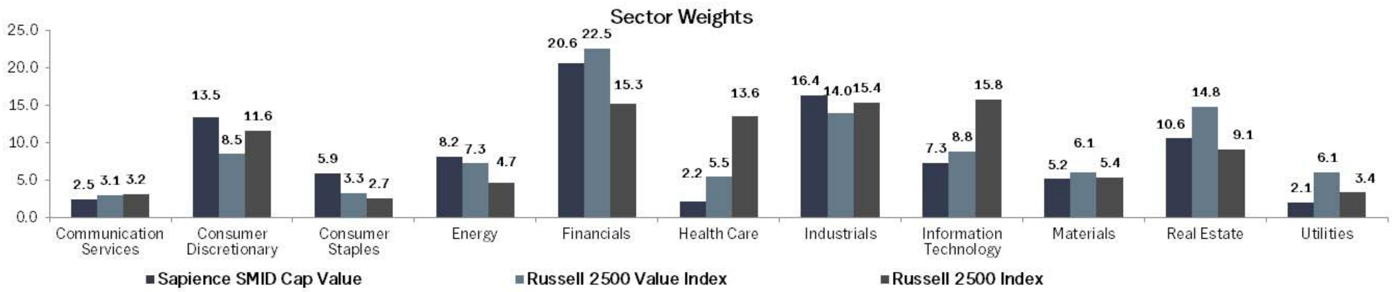
	Quarter to Date	Year to Date	1 Year	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-1.2%	6.3%	6.8%	8.8%
Sapience SMID Cap Value Equity Composite (Net)	-1.3%	5.8%	6.1%	8.2%
Russell 2500 Value Index	2.7%	5.8%	10.2%	13.0%
Russell 2500 Index	4.7%	10.4%	16.2%	17.0%

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 September 30, 2018*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	27.0%
Active Share [1] (relative to the Russell 2500 Value Index)	95.2%
Tracking Error [2]	4.5
Number of Buys	1
Number of Sells	3

[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 third quarter. Dave & Buster's Entertainment, Inc., Essent Group Ltd., Signet Jewelers Ltd., Diebold Nixdorf, Inc., The Michaels Companies, Inc., Beacon Roofing Supply, 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
Third Quarter 2018

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Dave & Buster's Entertainment, Inc.	Diebold Nixdorf, Inc.
Essent Group Ltd.	The Michaels Companies, Inc.
Athene Holding Ltd.	Beacon Roofing Supply, Inc.
Whitbread plc	Adient plc
Signet Jewelers Ltd.	Forum Energy Technologies, Inc.

Athene Holding Ltd.

Athene Holdings Ltd. is a Bermuda-based annuity supplier focused on the fast growing fixed- and fixed-index annuity markets. The company's shares appreciated in the third quarter as Athene is a beneficiary of rising interest rates and healthy asset markets, and the company reported strong second quarter operating momentum. In addition, at its first Investor Day in late September, the company broadly affirmed our investment thesis—that Athene has the ability to grow organically and through acquisitions while generating above-average returns. Even with this strong quarter, we believe shares of Athene continue to trade at a discount to its peers and the company is capable of producing a superior mid-teens ROE through 2020.

Whitbread plc

During the quarter, shares of Whitbread plc gained when the company announced the sale of its Costa Coffee segment to Coca-Cola. Coke offered an extremely compelling price for Costa Coffee given its meaningful opportunity to expand the distribution of this coffee brand. We continue to believe Whitbread's shares are reasonably priced given the attractiveness of the remaining assets at Premier Inn.

Adient plc

Shares of Adient plc declined in commiseration with the overall auto and auto suppliers industries. The primary concern driving these declines is that auto sales have peaked and are primed for a slowdown. When we laid our investment thesis for Adient, this was a known risk. We believed global auto sales would slow and as a global auto seat manufacture, we understood that Adient would not be exempt from this decline. Our original investment thesis was instead predicated on the restructuring in Adient's Seats, Structures and Mechanisms (SS&M) segment. Recent headwinds in the Structures portion of the segment (where the structures are supplied to third parties) have been masking the underlying profitability in Adient's Seating unit as well as its JVs in China. This has placed further pressure on the company' stock price. During the quarter, Adient announced Douglas DelGrosso would be the firm's new CEO beginning October 1, 2018. Mr. DelGrosso comes to Adient with 20 years of operating experience at Lear and experience as CEO at two other auto suppliers.

Outlook

Discriminating between the 'news' and the 'noise' is essential to successful long-term investing. We are constantly barraged by monthly data releases, short-term oriented sell-side research, and an often over-wrought financial media. Through the summer, headlines heralding a full-on U.S.-Chinese trade war, stunning crises in the emerging markets, a surge in the price of oil on heightened Middle East tensions, and general ongoing political chaos naturally led to escalating fears that U.S. asset markets might soon correct. Against this backdrop, the S&P 500 added 7.2% and the Russell 2000 posted a gain of 3.6% in the third quarter. This begs the question: "What is going on?"

As we assess the outlook, the most important fundamental economic 'news' to watch this year has been the remarkably strong U.S. economy. Corporate tax cuts, broad-based deregulation, and accommodative monetary policy have extended the aging economic expansion. The underlying fundamentals driving the expansion remain intact, as the second round effects of the fiscal stimulus kick-in, credit growth to both households and businesses continues unabated, and pent-up demand remains un-satiated, specifically for fixed capital and consumer durable goods.

While our baseline scenario shares the optimism of conventional wisdom, risks to this sanguine view are mounting. First, financial conditions are tightening. Short-term interest rate hikes by the Federal Reserve have translated into higher bond yields, raising the cost of capital. Real yields (i.e., net of inflation) across the U.S. Treasury yield curve are positive for the first time in this economic expansion. High relative returns have attracted global capital flows, boosting U.S. assets and the U.S. dollar. However, more restrictive financial conditions represent a headwind to U.S. corporate profitability, as borrowing costs increase and the strong U.S. dollar weighs on foreign earnings. Equities are a long duration asset, so valuations are acutely affected by a higher cost of capital. Second, market participants are too complacent about building inflationary pressures. According to the OECD, the U.S. output gap—the difference between actual and potential GDP—has moved into positive territory for the first time in this expansion. Historically, this has eventually been associated with accelerating inflationary outcomes. Third, the rest of the world remains a source of concern. In 2018, Europe and Japan appear set to grow above trend, supported by loose fiscal and monetary policy. However, positive economic momentum outside the U.S. has faltered in recent months due to heightened political uncertainty in Europe, trade friction between the U.S. and Asia, and the negative impact of selected emerging market crunches. The global recovery has become increasingly tilted towards and dependent upon the U.S.

In sum, U.S. equity investors have climbed the proverbial "wall of worry" so far this year. Shifting metaphors, the liquidity tide is flowing out. Assets that have benefited from ample liquidity and cheap capital will inevitably reverse and de-rate. Mindful of this, we have focused our attention on identifying quality companies at somewhat reasonable valuation and self-help stories that can sustain in likely more volatile markets. In equities, growth and momentum strategies have vastly outperformed value strategies in the last 2 to 3 years. In early October, the sudden melt up of rates is bringing the duration and convexity within the equity markets into play and causing a reversal in the growth versus value outperformance. We have been patiently waiting for this normalization to occur and we believe this shift could be the beginning of this unwind.

Disclosures

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

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

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

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

Sapience Investments, LLC
Small Cap Value Equity Composite

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

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

1. Sapience Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sapience Investments, LLC has been independently verified for the periods October 1, 2016 through December 31, 2017. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The Small Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small capitalization companies with sustainable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a two-to four-year investment horizon. The composite was created October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of actual investment advisory fees. Net returns are net of any performance-based fees. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Dividends are recorded net of withholding taxes.
5. Internal dispersion is the equal-weighted standard deviation of the annual gross returns of all accounts included in the composite for the entire year. For years where there are 5 or fewer accounts in the composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation. The three-year annualized ex-post standard deviation of the composite and benchmark is not presented because 36 monthly returns for the composite are not available.
6. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest in these indices. The returns for the Index do not include any transaction costs, management fees or other expenses. The volatility (beta) of the Composite may be greater or less than its respective benchmark.
7. The fee schedule for Adviser's investment advisory services for the Small Cap Value Equity Composite is 1.00% on the first $25 million, 0.90% on the next $25 million, 0.85% on the next $50 million, 0.80% on amounts over $100 million. Actual investment advisory fees incurred by clients may vary.
8. Past performance is not indicative of future results. Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. Registration as an Investment Adviser does not imply any level of skill or training. This material is not financial advice or an offer to sell any product. The portfolio characteristics shown relate to the Small Cap Value Equity Composite. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Adviser reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Sapience Investments, LLC
SMID Cap Value Equity Composite

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

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

1. Sapience Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sapience Investments, LLC has been independently verified for the periods October 1, 2016 through December 31, 2017. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The SMID Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small- to mid-capitalization companies with sustainable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a three-to five-year investment horizon. The composite was created October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of actual investment advisory fees. Net returns are net of any performance-based fees. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Dividends are recorded net of withholding taxes.
5. Internal dispersion is the equal-weighted standard deviation of the annual gross returns of all accounts included in the composite for the entire year. For years where there are 5 or fewer accounts in the composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation. The three-year annualized ex-post standard deviation of the composite and benchmark is not presented because 36 monthly returns for the composite are not available.
6. The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest in these indices. The returns for the Index do not include any transaction costs, management fees or other expenses. The volatility (beta) of the Composite may be greater or less than its respective benchmark.
7. The fee schedule for Adviser's investment advisory services for the SMID Cap Value Equity Composite is 1.00% on the first $25 million, 0.90% on the next $25 million, 0.85% on the next $50 million, 0.80% on amounts over $100 million. Actual investment advisory fees incurred by clients may vary.
8. Past performance is not indicative of future results. Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. Registration as an Investment Adviser does not imply any level of skill or training. This material is not financial advice or an offer to sell any product. The portfolio characteristics shown relate to the SMID Cap Value Equity Composite. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Adviser reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.