Market Review

2020 was a year that most people would like to leave behind because of the disruption to our way of life and suffering caused by the Covid-19 pandemic. However, for most investors it turned out to be an outstanding year—if they had the fortitude to stay the course—and for the visionaries (or the foolhardy depending on your viewpoint) who added to risk/equities in March, it resulted in an exceptional year. Financial markets are a discounting mechanism and the past year might be one of the best examples of this phenomenon. Nevertheless, forget about the rally in stocks predicated on a V-shaped recovery—those are pedestrian returns. The best-performing stocks have been high-growth stocks—a few that have actually benefited from restricted mobility but for many the multiples have gone from exuberant to outright stratospheric.

The Biden win and the approval of the first Covid-19 vaccine in early November in the U.S. became the catalysts that propelled the strong fourth quarter returns. A distinct highlight of the fourth quarter was the shift in leadership in the markets to small caps and cyclicals. The small caps outperformed the large caps by 2.5x factor in the fourth quarter. The Democrats winning the narrow majority in the senate on January 5, 2021 has further fueled this rally.

There is little debate that exceptionally stimulative fiscal and monetary policies were a driving force in 2020. Low inflation and interest rates have had a three-pronged impact on the markets. First, they serve to bolster consumer and business spending. Second, they modify the discount rate applied to future earnings, which justifies higher multiples. Finally, miniscule returns on bonds have forced individual and institutional investors who are targeting 5% or greater real returns to move further out on the risk curve. In this case, investors are right to begin 2021 with optimism, as monetary policymakers have all but guaranteed that they will not change their extremely accommodative policy for quite some time. While persistently low interest rates are likely to fuel further speculation in risky assets in the near term, explosive and widespread fiscal stimulus and unsustainably large public deficits will eventually need to be unwound in what will likely be a painful process.

U.S. stocks, as measured by the S&P 500 Index, had a roller-coaster year. The Index lost approximately 20% in the first quarter, recovered 20.5% in the second quarter, followed by gains of 8.9% and 12.2% in the third and fourth quarters, respectively, for an 18.4% gain for the year. The "risk-on" rally carried global stocks, bonds, and gold to healthy advances, with other asset classes like commodities just narrowly missing a full recovery from the March lows and new highs for the year. A late-year surge pushed the small-cap Russell 2000 Index ahead of the S&P 500 by 2%. For the year, U.S. equities outperformed EAFE by 10.6%.

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

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	31.4	20.0	20.0	10.3	13.3	11.2
Russell 2000 Value Index	33.4	4.6	4.6	3.7	9.7	8.7
Russell 2000 Growth Index	29.6	34.6	34.6	16.2	16.4	13.5
Russell 2500 Index	27.4	20.0	20.0	11.3	13.6	12.0
Russell 2500 Value Index	28.5	4.9	4.9	4.3	9.4	9.3
Russell 2500 Growth Index	25.9	40.5	40.5	19.9	18.7	15.0
Russell Mid Cap Index	19.9	17.1	17.1	11.6	13.4	12.4
Russell 1000 Index	13.7	21.0	21.0	14.8	15.6	14.0

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

Small- and Mid-Cap Market Review

In the fourth quarter, smaller cap indices handily outperformed the broad market and large cap indices: S&P 500 12.2%, Russell 3000 14.7%, Russell Mid Cap 19.9%, Russell 2500 27.4%, and Russell 2000 31.4%. This quarter's strong outperformance by smaller cap indices pushed them relatively in line with larger cap indices for the trailing 12 months, with the Russell 1000 up 21.0% and the Russell 2000 up 20.0%. In a more interesting and notable shift for the quarter, the Russell 1000 and 2000 Growth Indices lagged their value counterparts by a meaningful margin —the Russell 1000 Value was up 16.3% versus the Russell 1000 Growth up 11.4%, while the Russell 2000 Value was up 33.4% versus the Russell 2000 Growth up 29.6%. However, the first quarter deficit was massive for value which resulted in the twelve month spreads between growth and value persisting at nearly 36% for large caps and 30% for small caps.

From a sector perspective, results were strong across the board during the quarter. In both the Russell 2000 and 2500 Value Indexes, Energy and Technology were among the top performers (Russell 2000 Value: Energy 45.7%, Technology 43.5%; Russell 2500 Value: Energy 46.9% and Technology 36.7%). Meanwhile, Health Care and Real Estate were the laggards in the quarter, posting positive returns of 23-24% in the Russell 2000 Value Index and 19-20% in the Russell 2500 Value Index.

For the year and inverse to the quarter, Energy was the worst-performing sector in both Indexes, down 37 to 40%. Consumer Staples, Consumer Discretionary, and Health Care were the top-performing sectors in the Russell 2000 Value Index, up approximately 36%, 32%, and 31%, respectively. Within the Russell 2500 Value Index, Health Care, Communication Services, and Technology yielded the largest returns (up approximately 34%, 25%, and 23%, respectively).

Performance Impact

Our fourth quarter performance was strong on an absolute basis across the board and even bypassed the second quarter rebound in both strategies. Our results in the fourth quarter were a function of stock selection rather than allocation. In small cap we outperformed in 7 of the 11 sectors including our three largest sectors which are Financials, Industrials, and Consumer Discretionary (68% versus 30%). SMID cap selection was not quite as strong as we outperformed in only 4 of the 11 sectors; however, we also had strong relative returns in three large sectors—Consumer Discretionary, Technology, and Health Care. Please see the discussion below that covers the top and bottom five contributors for further color.

In the fourth quarter, our Small Cap Value strategy added meaningful alpha in a good beta period. We are pleased that the portfolio was able to handily outperform the Russell 2000 Value Index in a quarter where value staged a strong comeback. Our outperformance was entirely driven by stock selection. The 39.7% gross of fees (39.5% net of fees) return was 6.3% above the Russell 2000 Value Index for the quarter. We are pleased that our excess returns were derived from businesses that are executing well from an operational standpoint and deleveraging by using free cash flow and/or selling non-core segments to reduce debt. We are being vindicated as the market is realizing that a few of our businesses are of a much higher quality than investors have given them credit for in last 2-3 years. For the year, our Small Cap Value strategy returned 7.1% gross of fees (6.4% net of fees), which was 2.5% above the Russell 2000 Value Index.

During the quarter, stock selection was strongest in Consumer Discretionary, Financials, Health Care, Industrials, and Technology for our Small Cap Value strategy. Conversely, security selection in Materials and Real Estate detracted in the quarter. For the year, stock selection was strongest in Energy, Industrials, Financials, Technology, and Real Estate. Meanwhile, Consumer Discretionary, Health Care, and Materials were the biggest detractors. Ironically for the year, we underperformed in three of the five best-absolute return sectors. In Consumer Discretionary, two of our investments that were greatly impacted by Covid-19—Samsonite International S.A. and Dave & Buster's Entertainment, Inc.—were the largest detractors from our returns. Within Health Care, our lack of investments in biotech (as these companies typically do not have any earnings) hindered our performance. In the Index, there are several stocks in these three sectors that we believe are speculative. We would not own these businesses since they do not meet our quality criteria and it was these stocks that bounced hard from heavily oversold levels, contributing to strong performance in these sectors.

Our SMID Cap Value portfolio had strong absolute performance and was in line with the Russell 2500 Value Index during the fourth quarter: 28.3% gross of fees (28.1% net of fees) versus 28.5%. Consumer Discretionary, Health Care, and Technology were the largest contributors with stock selection in Consumer Discretionary having the most significant impact. Security selection in Energy and Materials detracted value during the period. For the year, the SMID portfolio's 2.0% gross of fees (1.4% net of fees) return was 2.9% below the Russell 2500 Value Index. Stock selection in Health Care (the best-performing sector in the Index), Industrials, and Consumer Staples were the largest detractors. Meanwhile security selection in Financials and Real Estate added the most value. In Health Care, returns and contribution to performance were positive; however, our investments did not increase as much as the Index. Performance in the Index's Health Care sector was driven by biotech, which is an industry where we do not invest (see discussion above). Within Industrials, AerCap Holdings N.V., an aircraft lessor, was among the detractors. AerCap was adversely impacted by the Covid-19 pandemic and we exited the position in mid-2020 after the stock bounced back from oversold level in the first quarter as we believe the business will take many years to recover. Similarly, in Consumer Staples, US Foods Holding Corp. and Ingredion Inc. were negatively impacted by Covid-19 given their exposure to restaurants and food service. We maintained these two positions and added to our holdings as believe that the businesses will recover starting in 2021.

Portfolio Strategy and Key Exposures

Activity in both portfolios continued to slow down materially from the first half of the year. By and large, the positioning and exposures are consistent with the previous quarter. We exited a couple of businesses earlier in the year where fundamentals deteriorated due to the Covid-19 pandemic and/or the dilutive capital that was raised is credit positive but limits the equity upside. Recently we have added a couple of holdings in the travel and leisure sectors with cleaner balance sheets and what we believe to be high-quality businesses with attractive upside for the equity.

We have previously discussed our pro-active ownership of different categories of value stocks. The portfolios have evolved over 2020 as shown below along with our typical ranges for these four categories:

Types of Businesses	Exposure Range	12/31/2019	12/31/2020
Discounted Franchises	SCV: 25 – 50% SMID: 40 – 70%	SCV: 31% SMID: 49%	SCV: 34% SMID: 51%
Value with Drivers	SCV: 25 – 50% SMID: 20 – 40%	SCV: 40% SMID: 36%	SCV: 37% SMID: 27%
Undervalued Growth	SCV: 5 – 25% SMID: 5 – 25%	SCV: 12% SMID: 7%	SCV: 14% SMID: 16%
Undervalued Assets	SCV: 5 – 20% SMID: 0 -15%	SCV: 15% SMID: 8%	SCV: 15% SMID: 6%

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

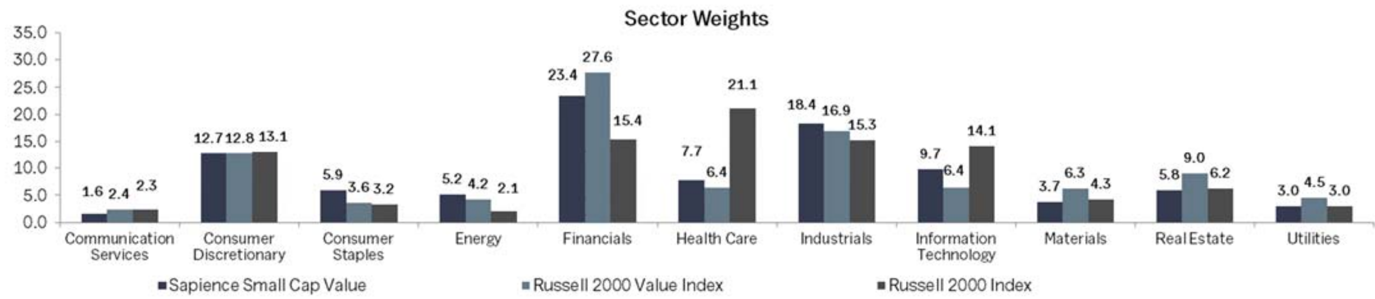
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	39.7%	7.1%	7.1%	2.7%	6.0%
Sapience SCV Equity Composite (Net)	39.5%	6.4%	6.4%	2.0%	5.4%
Russell 2000 Value Index	33.4%	4.6%	4.6%	3.7%	7.7%
Russell 2000 Index	31.4%	20.0%	20.0%	10.2%	12.8%

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 December 31, 2020*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	22.9%
Active Share [2] (relative to the Russell 2000 Value Index)	94.3%
Tracking Error [3]	8.8
Number of Buys[4]	3
Numbers of Sells[4]	3

[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 fourth quarter.

Top and Bottom Contributors
Fourth Quarter 2020

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Plantronics, Inc.	Viper Energy Partners LP
Capri Holdings Ltd.	QTS Realty Trust, Inc.
Diamondback Energy, Inc.	EQT Corp.
Samsonite International S.A.	Physicians Realty Trust
Acadia Healthcare Company, Inc.	Cheesecake Factory Inc.

Plantronics, Inc.
Plantronics, Inc.'s stock price more than doubled during the fourth quarter from what we consider to be an oversold level. The company posted third quarter results well ahead of expectations as its headset business and video collaboration solutions are benefiting from the Work from Anywhere (WFA) environment. In addition, Plantronics' Video segment—huddle room products—and Audio segment should benefit once employees return to their offices. The company remains supply constrained on a few of its headsets and video products but has made operational improvements during the last two quarters under their new CEO.

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 price appreciated 133% as EPS came in at $0.90 versus $0.04 estimate due to sales and margins being well ahead of expectations, strong growth in its ecommerce business, and improvements at all three of its labels.

Diamondback Energy, Inc.
Oil has been benefitting from the dual forces of incremental supply being kept off the market by OPEC and U.S. E&Ps as well as increasing demand from the low levels experienced during the pandemic. Diamondback Energy, Inc. further benefitted as it's one of the few scale players left following the consolidation in the U.S. E&P landscape.

Samsonite International S.A.
Samsonite International S.A.'s stock price appreciated more than 75% in the fourth quarter due to both slightly better than expected third quarter results and the approval of the Covid-19 vaccine in the U.S. in early November. The company's management has taken prudent steps to reduce its marketing spend and capex for the year, secured covenant relief, and has ample liquidity to manage through the Covid-19 impact over the next few quarters. Samsonite remains well positioned as travel recovers over the next 2-3 years.

Acadia Healthcare Company, Inc.
Acadia Healthcare Company, Inc. performed well during 2020 as demand for behavioral health services remained resilient and management executed its strategy to deal with the interruptions caused by Covid-19. The company was able to return to solid organic growth by the third quarter. Additionally, at the end of December 2020 Acadia announced an anticipated agreement to sell its U.K. behavioral health business for $1.35 billion in net proceeds. The sale of the U.K. business had been on hold due to the pandemic. Once the sale is complete, the company will be able to focus on its higher growth and higher margin U.S. business, which has favorable demand trends. The proceeds will allow Acadia to significantly lower leverage and improve its balance sheet, reducing the risk profile of the business

and providing greater flexibility to invest in organic growth opportunities. The solid operating performance and announcement regarding the U.K. asset, drove the more than 70% return in the company's stock price during the period.

Viper Energy Partners LP

During the quarter, Viper Energy Partners LP underperformed relative to its peers. This underperformance was primarily driven by the perception that Viper will not be able to increase its distribution in the absence of production growth in the U.S. However, we believe that Viper benefits from its acreage (more than 60%) tied to its parent company, Diamondback Energy (see the discussion above), and its competent leadership. Both these factors are not reflected in the current valuation.

QTS Realty Trust, Inc.

Data center REIT, QTS Realty Trust, Inc. posted third quarter revenue and FFO/share of $137.5 million and $0.70, slightly ahead of the street's estimate at $136.9 million and $0.69. Management once again raised its fiscal year 2020 guidance on the upper and lower bounds for revenue, EBITDA, and FFOPS, assuaging investors that the pandemic might slow revenue from its large enterprise clients. Importantly, management pointed to strength in bookings, a resilient pipeline, and additional margin expansion as drivers fueling business momentum into 2021. QTS Realty Trust's more diversified model can generate steady growth in the coming years as more federal projects come online, and continued strength in Europe benefits providers to the region. The company's shares had performed well in the first half of 2020 as investors were likely too optimistic about the outlook for data centers during the pandemic and retrenched during the second half of 2020 as news of a Covid-19 vaccine led investors into other, more out-of-favor, REITs.

EQT Corp.

The price of natural gas was down significantly in the quarter due to an expectation of a warm winter. In the short term, the price of natural gas fluctuates with the winter weather (being warmer or colder); however, in the long term, natural gas has an important role to play in the transition of energy and EQT is well positioned due to its scale and a well-regarded management team.

Physicians Realty Trust

Third quarter results for Physicians Realty Trust, a medical office REIT, were in line with consensus expectations with a reported normalized FFO of $0.26/share. The company's fundamentals were somewhat mixed—same-store revenue/expense/NOI grew 0.5%/-0.2%/0.8%, while same-store occupancy declined modestly, down 30bps year over year to 95.4%. One-time concessions of $320 thousand were granted in the quarter, which reduced SSNOI growth by -0.5%. Stepping back to the big picture, Physicians Realty Trust remains well positioned to meet additional demand growth of 2-3% pa in coming years, and this figure could be augmented with acquisitions of weaker players as they become available. The market that this REIT serves is stable and reasonably predictable, and a return to normal valuation multiples provides room for substantial share appreciation.

Cheesecake Factory Inc.

The Cheesecake Factory, Inc. was founded in 1972 and is headquartered in Calabasas, California. The company operates nearly 300 casual dining restaurants under its namesake brand, which is known for its elaborate menu. In 2019, Cheesecake acquired North Italia and the remaining business of Fox Restaurant Concepts (FRC), including Flower Child. The Cheesecake restaurants have been consistent performers with high margins over a long period. We initiated a position in the company during the fourth quarter as we believe the business should do well post Covid-19 pandemic and the new concepts at FRC and North Italia offer an almost free growth option at the current price.

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

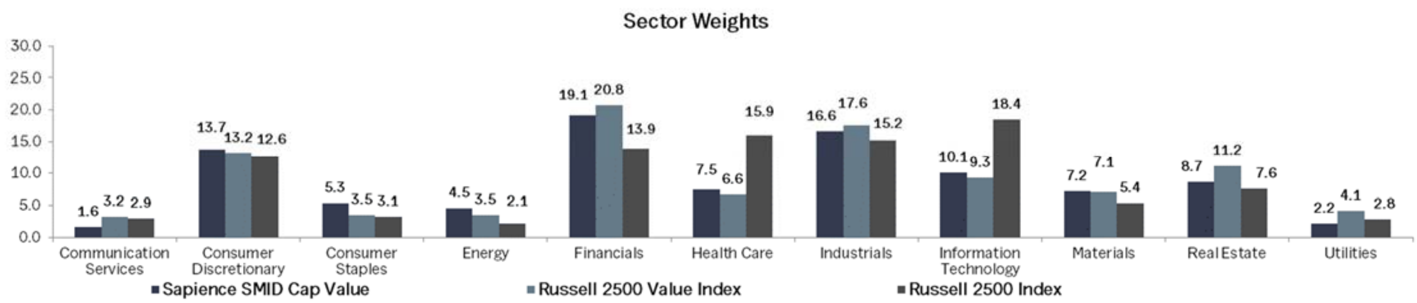
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	28.3%	2.0%	2.0%	2.6%	4.4%
Sapience SMID Cap Value Equity Composite (Net)	28.1%	1.4%	1.4%	2.0%	3.8%
Russell 2500 Value Index	28.5%	4.9%	4.9%	4.3%	7.7%
Russell 2500 Index	27.4%	20.0%	20.0%	11.3%	13.5%

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 December 31, 2020*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	25.2%
Active Share [2] (relative to the Russell 2500 Value Index)	95.2%
Tracking Error [3]	6.1
Number of Buys[4]	5
Number of Sells[4]	4

[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 fourth quarter. Capri Holdings Ltd., Plantronics, Inc., Samsonite International S.A., and EQT Corp. 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
Fourth Quarter 2020

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Capri Holdings Ltd.	RenaissanceRe Holdings Ltd.
Plantronics, Inc.	Liberty Latin America Ltd.
Samsonite International S.A.	EQT Corp.
Webster Financial Corp.	First American Financial Corp.
East West Bancorp, Inc.	Regal Beloit Corp.

Webster Financial Corp.
Since September, when bank stocks began to recover, shares of the Connecticut based bank Webster Financial Corp. have materially outperformed the Russell 2500 Value Index and the Financials' sector. Even after recent appreciation, our investment thesis for Webster remains intact. Our investment case is predicated on three main points. First, management has a conservatively underwritten loan portfolio that should outperform peers from a credit loss standpoint, especially if industry losses exceed current expectations. Second, the bank's recent expense initiative should push ROTCE into the low-teens, which will compare favorably to peers in the current zero interest rate environment. And third, stable short rates and a steepening yield curve should drive net income margin stability, with any hint of rising rates offering significant upside potential to EPS, profitability expectations, and ultimately valuation.

East West Bancorp, Inc.
Pasadena, California headquartered East West Bancorp, Inc. posted third quarter EPS of $1.14/share, which was well ahead of consensus expectations of $0.81. The quarter's upside was due to a 90% quarter over quarter drop in provision expense, while lower core expenses and higher fee income helped offset soft core net interest income. Net interest margin headwinds were pronounced with a surprising 19bp drop in the quarter due to continued elevated liquidity and lower core loan yields: loan growth, ex. PPP was up 2% LQA, and on its quarterly conference call, management expressed cautious optimism (but no specific guidance) on the loan pipeline. Core profitability with

PTPP ROAA of 1.7% at East West is well ahead of peers (1.4%). The bank enjoys a strong (and building) capital position (CET1 of 12.8%), which should enable it to reiterate a capital return program in 2021.

RenaissanceRe Holdings Ltd.

Bermuda based reinsurer RenaissanceRe Holdings Ltd. reported an operating loss of $2.64/share against a wide range of third quarter analyst expectations, consistent with its pre-announced natural catastrophe losses. This result missed a vast array of analyst forecasts (from -$1.00 to -$3.73) as losses were across all major divisions, and investment income was weak. Counteracting that, RenaissanceRe posted strong premium growth, which is a leading indicator for future income. Investors fear that with other hurricanes late in the season and continuing wildfires in Colorado and California, the company may see elevated claims in the fourth quarter. Claims happen. RenaissanceRe's sophisticated modeling capabilities are supposed to give the company a competitive advantage and a better ability to underwrite catastrophe risk. On the last earnings call, management would not quantify potential Covid-19 related losses, but instead, they expressed confidence in their ability to withstand the pandemic's financial impact. Like many insurance companies, net investment income was depressed in the third quarter and likely to face headwinds as low-interest rates weigh on fixed maturity yields. That said, the investment case remains intact. RenaissanceRe's superior long-term ROE is a testament to the model's success and justify what has been a modest valuation premium relative to peers. If we look beyond its upcoming fourth quarter, hardening reinsurance pricing should be a significant tailwind to profitability in 2021 and 2022.

Liberty Latin America Ltd.

A large part of Liberty Latin America Ltd.'s business is providing cellular and fixed communication services in the Caribbean Islands. Due to Covid-19, a lack of travel to the islands has hurt the local economy and hence spending has been weak. This should revert in 2021 as the economy improves with an increase in travel. In addition, Liberty could benefit by consolidating cable/cellular assets within Latin America. We initiated this position in our SMID portfolio towards the end of fourth quarter and the company's share price declined slightly from our initial purchase price.

First American Financial Corp.

Operationally, California based title insurer First American Financial Corp., is performing well. There is a seasonal lull in real estate activity in the fourth quarter, and the recent surge in Covid-19 cases has likely depressed real estate activity. However, First American's monthly figures (through November) are running significantly ahead of expectations. The investor consensus assumes the following: The Mortgage Bankers Association forecasts that 10-Year T-bond yields will rise to 1.4%, and 30-year fixed mortgage rates will increase from 2.8% to 3.2% in 2021. They expect new purchase originations to rise 7.8% in 2021 (2020 was up 11.3%), while refinance activity slows to 43% (2020 was up 92%). First American's margins have been well above normal for most of 2020 (core title pre-tax operating margins were 17.1% in the third quarter); they will likely revert to more normal levels (10-12%) over the next two years. Accordingly, First American's shares currently trade approximately 36% below its 5-year average 2-year forward P/E, suggesting that this outlook is already largely discounted. What is not discounted is a recovery in commercial real estate activity, which could partially offset the slowdown in residential refinance activity. The macro risk is that bond yields rise unexpectedly and choke-off the housing market, but with short rates anchored at 0-25bps until 2023, the Fed has decreased the likelihood of this adverse scenario.

Regal Beloit Corp.

Regal Beloit Corp. is a diversified industrial manufacturer. The company is a leading producer of motion control components, motors, fans, blowers, and related products. Regal Beloit's products are used in power transmission, HVAC systems, furnaces, refrigeration, and pool equipment. The company has a strong competitive position in many of its markets. Under new leadership Regal Beloit has recently implemented multiple initiatives to improve what were historically low margins. These include 80/20 simplification, best country sourcing, footprint consolidation, and lean manufacturing. In addition, the company has committed to increase R&D spending, has improved financial transparency, decentralized decision making to drive accountability, and replaced many leaders to drive improvement. With continued execution, Regal Beloit has significant room to improve margins and returns on capital over the next several years. The company also generates attractive free cash flows, has a strong balance sheet, and an attractive valuation. We initiated a position near the end of the fourth quarter.

Outlook

A value-oriented investment mindset means selecting stocks that trade for less than their intrinsic value. "Value" is not synonymous with "cheap" and is not a simple "factor"; instead, it requires careful, patient financial analysis to estimate business values and appreciate why a company's value may not be fully reflected in public markets. However, we also find that value cycles are closely correlated with economic cycles. In the uncertainty of an economic downturn, investors tend to over-estimate a recession's depth and duration and its impact on economically sensitive companies. We may have witnessed a major cyclical turning point in the fourth quarter. Both the Russell 2000 Growth and Value Indices posted strong double-digit gains, but the Value Index outperformed Growth nearly 4%, reversing a long-standing trend.

Of course, economic cycles are inherently difficult to forecast, and that's particularly true after the shock of a rare pandemic. However, waiting for greater clarity is imprudent, especially given that the direction of travel is now clear. Whether analyzing an individual stock or making inferences about the market, by the time a catalyst is clear, the investment opportunity often has already been exploited. This growth-value cycle comes at the end of the longest and shallowest expansion on record in the U.S., so, consistent with academic research on the topic, reversion to the mean implies that we may be headed for an extended period of value outperformance. Another important growth-value dynamic ripe for reversal has been an unsustainable expansion in the multiple investors are willing to pay for small-cap growth stocks. In the past three years, the Russell 2000 Growth Index has outperformed the Russell 2000 Value Index by 30% (annualized). Using Bloomberg data on these Indices, we observe over this period, the P/E multiple on the Growth Index has risen 16.4 points to 42.2x, while on the Value Index, the gain is 5.0 points, to a level of 24.7x. This discrepancy could be explained by the relative performance of earnings, which rose 9% in the Growth Index but declined by 12% in the Value Index. However, if we look out to 2022, the consensus EPS growth estimate for the Growth Index is +49.8% versus +56.0% for the Value Index. In other words, today, small-cap growth investors are paying a 70.9% premium to get an inferior future EPS growth profile.

Just as the cycle may be turning, some investors have raised questions about the viability of value investing. The return potential and opportunity set has definitely narrowed from March/April, however, we continue to find a few attractive opportunities with under-appreciated earnings growth potential. Going forward the dispersion should be greater intra sector than inter sector. It favors bottom-up, active investing in small- and mid-cap companies. After an extended period of multiple expansion fueled by investors crowding into a smaller and smaller set of favored growth companies, value now has the potential to outperform meaningfully. A phrase from the Old Testament Book of Ecclesiastes: *"To everything there is a season, and a time to every purpose under heaven"*—that is, there is a right moment for all actions. Winds of change may have finally arrived, not only in DC but in the markets as well!

Having underperformed in the first quarter of 2020, we wrote an atypically detailed quarterly letter explaining our portfolio positioning and key exposures. In addition, we stated that the best investments are often undertaken when the outlook is circumspect and we wrote: "*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...."* While thus far we have been somewhat vindicated in our call, we expect the next phase of this cycle to be more about the relative outperformance of our investments versus the expensive growth momentum segments of the market. Equally important, currently we are focused on challenges of high absolute valuations that we face entering 2021. The speculative fervor is on full display in the markets. A few striking examples: the frenzy among retail investors (the Robinhood phenomenon), SPACs (investing with no knowledge of what you will end up owning), valuations based on potential size of the addressable market versus company's financials, and frenzied pace of IPOs. We will conclude with what one of our wise board members remarked to us: "we know how this movie ends; we just don't know how long the movie is." Let us just say, the popcorn was finished a while back and we are well past the intermission!

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] 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.
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.
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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.
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.