Market Review

"Change is the law of life, and those who look only to the past or present are certain to miss the future."
~John F. Kennedy

The U.S. economy entered 2025 with considerable momentum driven by a potent combination of a strong labor market, accelerating capital expenditures, extraordinary asset price appreciation, solid government spending, and high business confidence. Today, downside economic risks are intensifying. Respected economists at Moody's Analytics and Goldman Sachs recently doubled the probability of recession in the U.S. economy to 35-40% over the next twelve months. They cite the prospect of a global trade war triggered by tariffs that, if implemented, may amount to one of the largest tax increases in American history, the clamp on immigration, which has been a pillar of employment growth, and the multiplier effects of dramatic reductions in government employment.

Recessions are normally caused by economic imbalances from a gross misallocation of capital or a conscious move to restrictive monetary policy that results in tight financial conditions. Neither condition holds today. Private sector leverage—household and financial corporate—has declined significantly since 2008, while corporate debt as a percentage of GDP remains comfortably within its 35-year range. Meanwhile, household net worth has risen by 44% to $169 trillion in the past five years, underpinning consumer spending. Regarding financial conditions, the FRB Chicago's National Financial Conditions Index has almost continuously eased since a recent peak in October 2022. Accordingly, the Conference Board's Leading Economic Indicators continue to signal economic expansion; however, economic momentum has downshifted as policy uncertainty dented business confidence.

Unfortunately, there is a long list of forces pushing U.S. inflation higher, including tariffs, rising wage growth, higher inflation expectations, easy fiscal policy, loose financial conditions, and slow apartment deliveries that put upward pressure on rents. Regarding trade policy, tariff uncertainty has pulled forward orders, demand, and an inventory build, with rising business costs and prices already appearing in the first quarter's PCE inflation report. Tariffs are taxes that increase the cost of goods. The AP reported that a recently announced 25% tariff on foreign autos and auto parts could boost the average auto price on an imported vehicle by $12,500. Some observers point to a muted impact from tariff increases in 2017-18, but those measures applied to a narrow set of industries and the economic impact was primarily offset by tax cuts. Moreover, the administration's proposed global tariffs will hit all levels of the supply chain, potentially leading to a prolonged period of adverse inflationary shocks.

Monetary policymakers understand that they face contradictory stagflationary forces. The Federal Reserve's March Summary of Economic Projections lowered its estimate of the path of 2025 economic growth by 40 bps to 1.7% while raising its core inflation projection by 30 bps to 2.8%. Money market investors believe the FOMC will respond to slower growth, not higher inflation. The forward curve now discounts two additional rate cuts by year end (three total). Yet monetary policy can only counteract demand shocks and would do little to ameliorate the abovementioned intensifying inflationary supply shocks.

Bond investors have moved to discount the rising probability of recession. In the first quarter of 2025, 10-year U.S. Treasury bond yields fell by 36 bps to 4.20 as many sought safety in a risk-off environment. However, in the medium term, investors will likely demand a higher risk premium to compensate for increasingly persistent inflation. In this regime, the cost of capital will be higher (relative to the post-GFC era), negatively affecting asset valuations, altering capital allocation across the economy, and depressing long-term trend growth. These observations may account for the reality that lower bond yields did not help cushion one of the sharpest equity market selloffs in recent history.

Russell Index Returns—*As of March 31, 2025*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	-9.5	-9.5	-4.0	0.5	13.3	6.3
Russell 2000 Value Index	-7.7	-7.7	-3.1	0.1	15.3	6.1
Russell 2000 Growth Index	-11.1	-11.1	-4.9	0.8	10.8	6.1
Russell 2500 Index	-7.5	-7.5	-3.1	1.8	14.9	7.5
Russell 2500 Value Index	-5.8	-5.8	-1.5	2.3	16.7	6.8
Russell 2500 Growth Index	-10.8	-10.8	-6.4	0.6	11.4	7.4
Russell Mid Cap Index	-3.4	-3.4	2.6	4.6	16.3	8.8
Russell 1000 Index	-4.5	-4.5	7.8	8.7	18.5	12.2

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

Small- and Mid-Cap Market Review

Stocks were under significant pressure in the first quarter—ending in negative territory—with small cap's declining the most (-9.5%), followed by their large- and mid-cap brethren, down 4.5% and 3.4%, respectively. Within the Russell Indexes, nearly all returns were down single to double digits with the most sizable losses for each cap range being in their growth segment (Russell 1000 Growth -10.0%, Russell Mid Cap Growth -7.1%, Russell 2500 Growth -10.8%, and Russell 2000 Growth -11.1%). Value stocks declined the least within each cap group, returning -2.1% in the Russell Mid Cap Value Index, -5.8% in the Russell 2500 Value Index, and -7.7% in the Russell 2000 Value Index. Of note, the Russell 1000 Value Index delivered positive returns for the quarter, up 2.1%.

Unsurprisingly there were limited safe havens during the quarter as nearly all sectors in the Russell 2000 and 2500 Value Indexes posted negative returns. Within the Russell 2000 Value Index, Technology, Energy, and Health Care were the three worst-performing sectors, declining 16.9%, 14.1%, and 14.1%, respectively. Meanwhile in the Russell 2500 Value Index, the Technology sector declined 13.7% followed by the Consumer Discretionary and Health Care sectors, which lost 11.3% and 10.5%, respectively. Utilities was the only sector in both Indexes to generate a meaningful positive return (+5.8% in the Russell 2000 Value Index and +8.8% in the Russell 2500 Value Index). Within the Russell 2500 Index, the only other sector to deliver a positive return was Consumer Staples with a paltry 0.1%.

Performance Impact

In Small Cap, we posted -7.3% gross of fees (-7.5% net of fees) versus -7.7% for the Russell 2000 Value Index and in SMID we returned -6.2% gross of fees (-6.4% net of fees) versus -5.8% for the Russell 2500 Value Index. On a relative basis, we narrowly outperformed the benchmark in Small Cap by 0.4% and slightly underperformed the benchmark in the SMID strategy by -0.3%. For the one-year ended March 31, 2025, our Small Cap Value strategy delivered strong relative returns, posting -0.4% gross (-1.4% net) versus -3.1% for the Russell 2000 Value Index. Meanwhile, our SMID Cap Value strategy returned -4.8% gross (-5.7% net) versus -1.5% for the Russell 2500 Value Index.

In reviewing our Small Cap Value portfolio's attribution for the quarter, we added value relative to the Russell 2000 Value Index in 5 of the 11 sectors. Top contributors to performance included stock selection in Energy, Industrials, and Health Care. In Energy, Comstock Resources, Inc. and ChampionX Corp. were the top performers. Lincoln Electric Holdings, Inc. added the most value in Industrials. Lincoln Electric's end-markets remained weak with organic sales declining by a low single digit during the fourth quarter. Despite soft demand, the company reported a large earnings beat for the quarter, highlighting the company's reputation for being one of the best managed industrial companies, especially during downturns. While difficult market conditions are expected to persist, Lincoln Electric provided guidance for 2025 that was slightly better than expected. Additionally, the company continues to have a solid balance sheet with net leverage of only 1.1x. Within the Health Care sector, AdaptHealth Corp. was the top contributor. On the negative side, security selection in Real Estate detracted from performance with Cushman & Wakefield plc subtracting the most value.

In the first quarter, our SMID Cap Value strategy underperformed the Russell 2500 Value Index in 7 of the 11 sectors. Within the strategy, sector weights detracted the most value during the period. In our strategies, sector weights are a byproduct of our bottom-up stock selection process—not a tactical allocation decision. During the quarter, security selection in the Real Estate sector hindered performance with Kilroy Realty Corp. and COPT Defense Properties detracting the most value. Kilroy's shares underperformed as investor skepticism grew to doubt the nascent recovery in the company's core West Coast real estate markets. However, given recent leasing success, the company's tenant risk in coming years has significantly reduced, and investors underappreciate Kilroy's capacity to grow FFO as technology companies bring workers back to the office. The shares of COPT Defense Properties are depressed because investors are concerned that DOGE cutbacks would adversely impact the Office market in the Washington DC region. However, COPT Defense Properties focuses on serving Defense and Intelligence Community clients that will not be subject to DOGE's radical downsizing. In addition, the company's operating metrics remain strong, with solid leasing activity and a development pipeline that is 75% pre-leased and almost entirely de-risked. Conversely, stock selection in Industrials and Technology added value during the period. Within Industrials, Air Lease Corp. and Lincoln Electric added the most value. Air Lease's shares outperformed in the first quarter as management expressed confidence that they would hit their leverage target in fiscal year 2025. The business is resilient to tumultuous periods, including any economic or demand pullback in global airline travel. In Technology, Okta, Inc. was the primary contributor to performance.

While the last one year has not been an easy environment to invest in smaller companies, we have managed to generate strong relative returns versus our benchmark and our peers primarily due to our focus on intrinsic value and fundamentals-based stock selection. As a result, top performers have come from different sectors with different drivers for the return streams. We invested in EQT in the SMID portfolio and Comstock Resources in the Small Cap portfolio with a medium-term positive outlook on natural gas and LNG. Despegar.com is the leading OTA in Latin America and we added to our position at a depressed valuation in 2023. The company doubled its EBITDA in 2023 and was on course to grow by over 70% in 2024. In December, Despegar.com announced a definitive agreement to be acquired at a decent premium and we exited the position. We invested in undervalued growth businesses when they were out of favor (and valuation was attractive) like Vital Farms, Inc. within Consumer Staples. We took advantage of a few dislocations in what we believe are high-quality businesses, like IDACORP in Utilities, Westinghouse Air Brake Technologies Corp. in Industrials, and Encompass Health Corp. in Health Care.

(All companies not specifically discussed above are discussed below in the Small and SMID Cap Value top and bottom five contributors sections.)

Portfolio Strategy and Key Exposures

Today within small/SMID caps, there are several high-quality stocks that we believe continue to remain cheap. This is an unusual set up because historically deep value stocks are deservedly cheap: more cyclical, highly leveraged, and generally low-quality businesses. If the economy weakens from here due to the tariffs—with the consumers pulling back and businesses reticent to invest, and inflation does not moderate—then the rates might not have much to decline. In that scenario high-quality stocks within the small/SMID cap universe should do relatively well. Being in the mid-to-late cycle, we have been deliberate about upgrading the quality in our portfolios over the last one year and being mindful of leverage on the balance sheets. While the credit spreads have widened recently, they are still below historic levels. In the last quarter, we took advantage of the selloff in higher-quality and growing businesses by investing in companies such as e.l.f. Beauty, Inc. and RadNet, Inc.

Health Care and Consumer Staples—both defensive sectors—have been out of favor for the last two years. Both sectors have been negatively impacted by macro factors like higher yields, being bond proxies along with the GLP-1 headlines. We believe there are a few select attractive opportunities within these two sectors. Financials have done well with rates declining; however, banks are still trading at low multiples versus their historic metrics due to lingering concerns about CRE exposure. Additionally, if the economy softens, credit metrics deteriorating may become a concern for investors. Several Consumer Discretionary companies are at nearly depressed valuations due to the fear of a major slowdown in spending by the consumer. Tariffs could further hurt the demand and margins at retailers and consumer goods companies. Energy stocks are downright cheap on an absolute basis and are paying attractive dividends due to concerns about lower crude prices in the near to medium term. Industrial companies have attractive fundamentals with reshoring opportunities but are not cheap from a valuation perspective. Tariffs and supply chain disruptions could pressure multiples for industrials. In Technology, there are more attractive opportunities within small and SMID caps versus large cap where we believe the valuations are stretched. Software companies are much more insulated from the tariff impact versus hardware and semis.

Small Cap Value Equity Performance—*Through March 31, 2025*

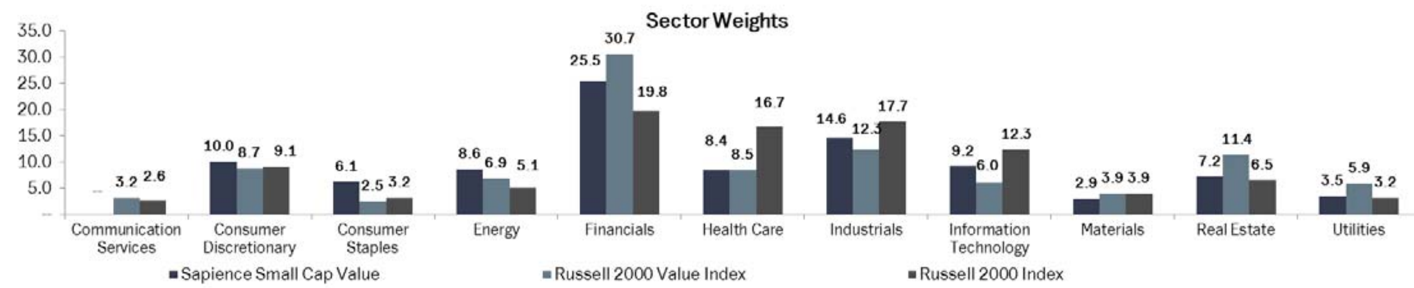
	Quarter	1 Year	3 Years	5 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	-7.3%	-0.4%	1.1%	20.3%	6.4%
Sapience SCV Equity Composite (Net)	-7.5%	-1.4%	0.0%	19.0%	5.3%
Russell 2000 Value Index	-7.7%	-3.1%	0.1%	15.3%	6.6%
Russell 2000 Index	-9.5%	-4.0%	0.5%	13.3%	7.2%

Sources: Advent Geneva, Russell Investments.
Inception Date: October 1, 2016
NOTE: The complete GIPS Report and additional disclosures can be found at the end of the document.

Small Cap Value Equity Characteristics and Sector Weights—*As of March 31, 2025*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	20.8%
Active Share [2] (relative to the Russell 2000 Value Index)	95.0%
Tracking Error [3]	5.7
Number of Buys[4]	4
Numbers of Sells[4]	2

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



Sources: Russell Investments, FactSet

Small Cap Value Equity

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

Top and Bottom Contributors
First Quarter 2025

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
National Vision Holdings, Inc.	Dave & Buster's Entertainment, Inc.
AdaptHealth Corp.	Six Flags Entertainment Corp.
Comstock Resources, Inc.	Ultra Clean Holdings, Inc.
IDACORP, Inc.	Acadia Healthcare Company, Inc.
ChampionX Corp.	Cushman & Wakefield plc

National Vision Holdings, Inc.
National Vision Holdings, Inc.'s stock outperformed in the first quarter as the company delivered inline revenues for the fourth quarter with better than expected profitability and issued guidance ahead of consensus for 2025. The company is improving volumes and achieving better price realization by increasing its mix of insurance covered patients, rolling out virtual exams at more stores, and a new segmented marketing approach.

AdaptHealth Corp.
AdaptHealth Corp. reported a better than expected fourth quarter and made progress on several key initiatives. Although the diabetes franchise continues to decline, the company experienced sequential improvement and continues to execute on the plan they laid out in the third quarter to reposition the business for future growth. The largest business, sleep apnea, continues to show good growth and management announced a multi-year extension of a capitated agreement with Humana. Importantly, and a key for our investment thesis, the company delivered impressive free cash flow in 2024. Free cash flow for the year was over $200 million, yielding a free cash flow margin

above 7%, which was significantly above our and market expectations. The improved free cash flow has allowed the company to improve its balance sheet by bringing net leverage down to 2.8x, close to the company's 2.5x target.

Comstock Resources, Inc.

In the first quarter, Comstock Resources, Inc.'s stock outperformed due to an improvement in natural gas pricing driven by a more severe winter and a lower gas surplus, which led to a stronger forward curve. The company reported mixed results with slightly better free cash flow for the quarter versus consensus and inline EBITDAX driven by lower costs. In addition, Comstock provided inline guidance on capex with slightly lower production for fiscal year 2025.

IDACORP, Inc.

IDACORP, Inc. is an electric utility company that serves over 600,000 retail customers in southern Idaho and eastern Oregon. The company has a capital plan of close to $6 billion from 2025-2029 to support its industry leading rate base at CAGR of 16% over the next four years. IDACORP's stock outperformed in the first quarter as the company delivered earnings that were ahead of the consensus, and utilities were the only sector that delivered positive performance during the quarter.

ChampionX Corp.

ChampionX Corp.'s stock outperformed during the quarter as the company posted better than expected earnings despite posting slightly lower revenues. The company delivered strong free cash flow during the year and had previously announced a merger with Schlumberger in April 2024. The merger is expected to close in the second or third quarter of this year.

Dave & Buster's Entertainment, Inc.

Dave & Buster's Entertainment, Inc.'s stock price underperformed meaningfully in the first quarter due to a decline in consumer confidence and negative sentiment towards entertainment and restaurant spending. In early December, the company had posted weak results with comps of negative 7.7% versus expectations of negative 6%. Additionally, the company's CEO resigned to pursue another opportunity. Aside from the challenges with lower-income consumers last year, the company's shift away from traditional media advertising also contributed to the decline in sales. Management is correcting this misstep this year and might reassess the spending on remodels. While the inflection in comps will take longer than initially hoped in a weaker consumer environment, we believe that Dave & Buster's and Main Event are well positioned to capture share from other entertainment concepts. We believe that the company's stock is trading at a depressed valuation.

Six Flags Entertainment Corp.

After outperforming in the fourth quarter, Six Flags Entertainment Corp.'s stock gave up its gains and underperformed during the first quarter. Mixed results in late February coupled with a decline in consumer confidence in the last month (as a result of tariff uncertainty) hindered Six Flag's stock price. Reacting to the quarterly results, investors became too focused on the admissions per cap pressure in the near term and a push out of revenue synergies from the merger while ignoring the robust cost synergies and healthy demand. Management provided encouraging long-term targets: fiscal year 2027 free cash flow of $800 million, attendance of 55 million, and leverage < 3.5x.

Ultra Clean Holdings, Inc.

Ultra Clean Holdings, Inc. is a supplier of subsystems for the semiconductor capital equipment industry. The company's stock underperformed meaningfully during the quarter despite posting inline revenues as management issued softer guidance (5% below estimates) for the first quarter due to weakness in its China business. In addition, in early March the CEO resigned effective immediately for health reasons.

Acadia Healthcare Company, Inc.

Acadia Healthcare Company, Inc.'s stock price has been under pressure after negative news articles regarding certain facilities led to additional scrutiny. The company had indicated in early 2025 that results were beginning to stabilize in the impacted facilities. The stock came under further pressure when Acadia issued disappointing 2025 guidance with fourth quarter results. With a long list of items contributing to the guidance shortfall and limited investor patience, the company's stock price declined significantly more than the 5.5% guidance shortfall. Contributing to the adverse impact on the stock was guidance for low-single digit growth in revenue per patient day (below recent trends), which along with Medicaid being on the radar for potential government spending reductions, created increased investor concerns about the risk from Medicaid reductions.

Cushman & Wakefield plc

Cushman & Wakefield plc underperformed in the first quarter despite reporting inline fourth quarter results and effectively raising expectations for fiscal year 2025. First quarter economic policy uncertainty weighed on the company's stock because it likely froze the market for commercial real estate (CRE) transactions. As the last CRE services company to post results, the company's fortunes aligned with peers with a recovery underway in the Leasing and Services divisions and a big jump in Capital Markets activity. While management did not offer hard guidance for the outlook, they stated that they saw an inflection underway across all three of their core businesses with solid momentum sufficient to generate EPS growth above the +8% increase of fiscal year 2024. With increased confidence in the CRE recovery, the company is undertaking investments to position for a multi-year growth cycle. Finally, management has taken significant steps to improve its financial position, using available free cash flow to deleverage the balance sheet. Cushman's shares trade at a considerable discount to peers, a valuation gap that should narrow as company fundamentals improve.

SMID Cap Value Equity Performance—*Through March 31, 2025*

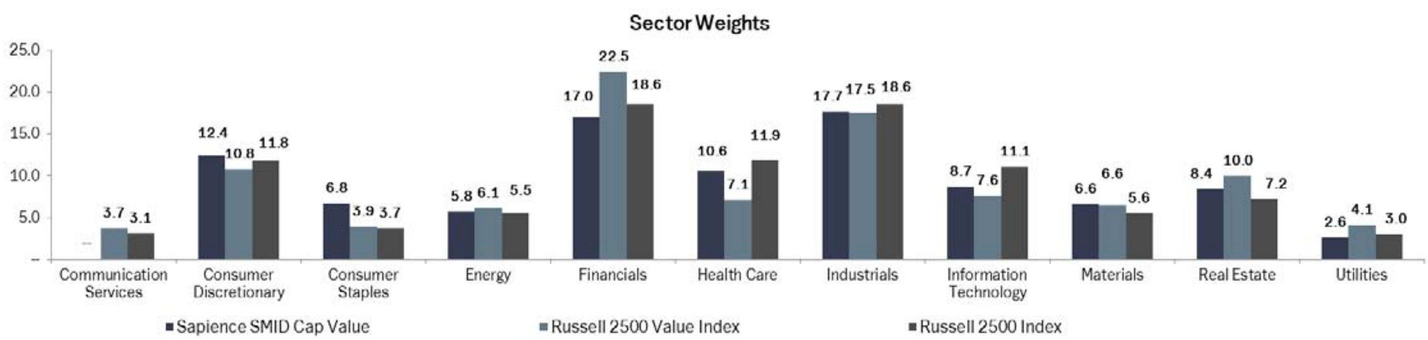
	Quarter	1 Year	3 Years	5 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-6.2%	-4.8%	-0.2%	16.1%	5.0%
Sapience SMID Cap Value Equity Composite (Net)	-6.4%	-5.7%	-1.2%	15.0%	3.9%
Russell 2500 Value Index	-5.8%	-1.5%	2.3%	16.6%	7.5%
Russell 2500 Index	-7.5%	-3.1%	1.8%	14.9%	8.5%

Sources: Advent Geneva, Russell Investments.
Inception Date: October 1, 2016
NOTE: The complete GIPS Report and additional disclosures can be found at the end of the document.

SMID Cap Value Equity Characteristics and Sector Weights—*As of March 31, 2025*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	23.8%
Active Share [2] (relative to the Russell 2500 Value Index)	93.6%
Tracking Error [3]	4.3
Number of Buys[4]	5
Number of Sells[4]	6

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



Sources: Russell Investments, FactSet.

SMID Cap Value Equity

Detailed below is our discussion of overall top and bottom contributors during the first quarter. National Vision Holdings, Inc., Dave & Buster's Entertainment, Inc., and Six Flags Entertainment 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
First Quarter 2025

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Okta, Inc.	Dave & Buster's Entertainment, Inc.
EQT Corp.	Six Flags Entertainment Corp.
National Vision Holdings, Inc.	Coherent Corp.
Encompass Health Corp.	Regal Rexnord Corp.
Hasbro, Inc.	Norwegian Cruise Line Holdings Ltd.

Okta, Inc.
Okta, Inc. is a leading applications software provider that offers automated user management, integration, mobile identification, and multifactor authentication. The company's stock price outperformed during the quarter as it delivered a big beat in its Current Remaining Performance Obligation (cRPO). Driven by a broad-based strength, cRPO bookings grew by 19%, accelerating from 15% and 10% in the prior two quarters. In addition, Customer Identity and Access Management's (CIAM) annual contract value grew 16% and is now 41% of the total.

EQT Corp.
EQT Corp.'s stock price outperformed as the company exceeded EBITDA expectations for the fourth quarter due to a combination of higher production, stronger natural gas realizations, and lower capex. In addition, investors were encouraged by the notable beat in free cash flow and the company tracking to a lower leverage level that was previously targeted to be achieved by the end of fiscal year 2025. EQT's stock price also benefited from firmer natural gas pricing, which was driven by more severe winter weather, and a lower gas surplus, which led to a stronger forward curve.

Encompass Health Corp.
Encompass Health Corp. continues to deliver steady and consistent strong results. Fourth quarter sales and earnings were all above expectations growing double digits. The company continues to benefit from a multi-year expansion effort as Encompass adds new inpatient rehabilitation facilities throughout the country to meet strong demand, which we expect to continue as the company's key patient demographic group grows. Additionally, the company continues to see improvement in labor expense that is benefiting margins. Strong financial performance and cash flows have allowed Encompass to lower its net leverage ratio to 2.2x compared to a historical range in the low 3.0x. Increasingly, we believe use of the healthy free cash flows and strong balance sheet could provide incremental returns for investors.

Hasbro, Inc.
After underperforming in the fourth quarter, Hasbro, Inc.'s stock outperformed in the last quarter as the company reported sales, margins, and earnings that were well ahead of consensus. Sales in the Consumer Products and Wizards segments were both ahead of estimates and 2025 guidance was inline with consensus. The company delivered significant improvement in margins in 2024 and introduced a new strategic plan for 2025-2027 for MSD revenue growth: 50-100 bps of adjusted operating margin expansion per year with $1 billion of gross cost savings and debt to EBITDA target of 2.5x by 2026.

Coherent Corp.
Coherent Corp. is a leading manufacturer of optoelectronic components and engineered materials. The company also manufactures semiconductor lasers and optics for industrial lasers. Coherent's stock price declined in the first quarter despite posting strong results, primarily driven by revenue growth in AI-related datacom transceivers. The management team anticipates an AI-driven 60% CAGR in the market for 800Gbps transceivers during the next five years. The main reason for the selloff, however, relates to general concerns regarding the level of AI-related capex in 2026 and beyond. A secondary reason is there are some concerns over Co-Packaged Optics (CPO) technology moving to switch aggregation layer and replacing optical modules in certain applications over time.

Regal Rexnord Corp.
Regal Rexnord Corp. reported a softer than expected fourth quarter with particular weakness in general industrial, machinery, and off-highway markets. Lower demand was especially evident towards the end of the quarter with some orders being pushed out of the quarter. Lower volumes and the late timing of the sales decline during the quarter also had an adverse impact on profitability with margins in all three segments coming in below expectations. Although organic sales declined, orders improved, growing over 4% during the quarter. With some uncertainty in key markets, foreign currency pressure, and tariff risk, guidance for 2025 also came in about 3% below expectations. With Regal

having meaningful short cycle exposure and significant manufacturing operations in Mexico, the stock came under further pressure as tariffs became a greater focus for investors.

Norwegian Cruise Line Holdings Ltd.

The stock price for Norwegian Cruise Line Holdings Ltd. underperformed in the first quarter even though the company delivered strong results with better than expected profitability and inline revenues. If we had to nit-pick, the bookings were within the 60%-65% range as expected and not higher, and the first quarter and 2025 EBITDA guidance was a touch light. We believe that the selloff in cruise operators is more related to the general skittishness towards the travel industry after the reduction in guidance by airlines along with the negative headlines relating to the tax implications for the cruise companies going forward under the new administration. In the last month, the negative sentiment towards the Consumer Discretionary sector—relating to the uncertainty caused by tariffs—has further pressured the company's shares.

Outlook

"One of the great mistakes is to judge policies and programs by their intentions rather than their results."
~Milton Friedman

Tariffs, at the core, are a tax with a large multiplier effect that increases inflation. On April 2nd, President Trump announced tariffs that were greater and far worse than the markets expected. It is unclear what actions a country can undertake to lower the reciprocal tariffs. While these very well may be peak tariff levels, at this juncture there is no clear path to reducing these rates. The one obvious way out of these tariffs could be the U.S. economy or markets becoming weak enough that the administration's stance softens.

The investment environment has profoundly changed with the new U.S. administration. What had been a relatively stable and predictable fiscal, monetary, and regulatory regime has been upset by a new set of proposed policies that have disrupted the economic landscape, making it more challenging to forecast. With an uncertain backdrop, volatile times present a terrific opportunity for active investors.

Much has been written about the narrowness of equity markets and major index concentration hovering near multi-decade highs. In the past two years, investors crowded into a small set of stocks with extreme valuations with superior but slowing earnings growth profiles. While the S&P 500 was down 4.3% in the first quarter, the so-called 'Magnificent 7' stocks lost 15.4%, while the other 493 stocks actually gained 0.4%. In the first quarter, there was a beginning of the rotation from the Mag 7 stocks to large cap value stocks in the U.S. as well as international stocks, especially in Europe and China. When the uncertainty relating to the tariffs subsides, U.S. small-cap and mid-cap value stocks should also be the logical beneficiaries of this rotation.

At important turning points in the markets, passive strategies often get caught offside with yesterday's winners. On the other hand, active managers have a higher probability to capitalize on the changing market dynamic with a renewed focus on fundamentals and valuations, favoring the large fraction of the equity market that may have been overlooked in recent years. Looking forward, the new interest rate regime characterized by a higher cost of capital should lead to greater differentiation in company performance and for stock selection to drive returns at all market cap levels. Such alpha opportunities are heightened when investing in small-cap and even mid-cap stocks, which have been largely neglected as investors increasingly sought fortunes from large-cap stocks.

According to analysts at ISS Market Intelligence, most small-cap assets (almost 60%) are managed passively by fewer and larger asset managers. With sufficient effort to uncover the fundamentals, active investors can better exploit growing gaps between price and intrinsic value, especially in risk-off periods where other types of investors may indiscriminately sell their holdings. With the pull-back in small-cap and mid-cap stocks year-to-date, the investment universe is ripe for experienced active investors to find inefficiently priced companies with great potential. We focus on long-term business performance to better understand a company's value drivers. Our patient investment philosophy and process allow us to deploy capital with greater conviction in well-managed, quality companies across our investment universe.

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. You cannot invest directly in an index, which also does not take into account trading commissions and costs, see below for a description of benchmark indexes. 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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[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: $TE = \omega = \sqrt{(E[(rp - rb)2])}$ where $rp - rb$ = the active return (i.e., the difference between the portfolio return and the benchmark return). This formula simplifies to: $TE = \omega = \sqrt{(\sigma p2 + \sigma b2 - 2\beta\sigma b2)}$ where $\sigma p2$ = portfolio variance; $\sigma b2$ = benchmark variance; and ß = Historical beta

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 base. 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. 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. 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. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. 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. 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. 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 Gross 3Y Std Dev (%)	Index 3Y Std Dev (%)	# of Accounts	Composite Assets (000s)	Firm Assets (000s)
*2016	14.91	14.62	14.07	N/A	N/A	N/A	2	$223.99	$349.83
2017	3.06	1.95	7.84	0.19	N/A	N/A	14	$665.60	$771.66
2018	-17.33	-18.21	-12.86	0.17	N/A	N/A	14	$513.31	$647.68
2019	22.17	20.86	22.39	0.23	18.56	15.90	13	$610.15	$773.40
2020	7.11	5.99	4.63	0.20	33.32	26.49	12	$716.39	$760.25
2021	28.37	26.99	28.27	0.18	31.83	25.35	11	$870.84	$914.19
2022	-10.90	-11.87	-14.48	N/A	32.42	27.66	7	$487.53	$523.34
2023	10.50	9.30	14.65	0.25	20.21	22.06	8	$412.78	$443.03

*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, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
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 durable 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 and incepted 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 model investment advisory fees. Net returns are calculated by reducing the quarterly composite returns by 1/4th of 1%, the highest tier of the standard fee schedule. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing investments, calculating performance, and preparing GIPS reports 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.
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. Effective March 1, 2020, a significant cash flow policy was adopted for the composite. Portfolios are removed from the composite if they have a contribution or withdrawal at 50% or greater of the beginning market value of the portfolio. The portfolio is removed from the composite for the month in which the significant cash flow occurred and the following month.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. 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.

SMID Cap Value Equity Composite

Year	Gross Returns (%)	Net Returns (%)	Russell 2500™ Value Index (%)	Internal Dispersion (%)	Composite Gross 3Y Std Dev (%)	Index 3Y Std Dev (%)	# of Accounts	Composite Assets (000s)	Firm Assets (000s)
*2016	9.96	9.69	9.34	N/A	N/A	N/A	1	$22.50	$349.83
2017	1.31	0.30	10.36	N/A	N/A	N/A	8	$106.06	$771.66
2018	-17.44	-18.26	-12.36	0.25	N/A	N/A	10	$134.36	$647.68
2019	28.19	26.91	23.56	0.09	17.46	14.43	8	$163.26	$773.40
2020	1.98	0.97	4.88	N/A	29.67	25.40	2	$43.86	$760.25
2021	25.01	23.77	27.78	N/A	28.04	24.49	2	$43.06	$914.19
2022	-8.86	-9.72	-13.08	N/A	28.54	26.84	2	$33.1	$523.34
2023	7.49	6.42	15.98	N/A	19.02	20.99	2	$29.69	$443.03

*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, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
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 durable 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 and incepted 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 model investment advisory fees. Net returns are calculated by reducing the quarterly composite returns by 1/4th of 1%, the highest tier of the standard fee schedule. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing investments, calculating performance, and preparing GIPS reports 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.
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. Effective March 1, 2020 through June 1, 2021, portfolios were removed from the composite if they had a contribution or withdrawal at 50% or greater of the beginning market value of the portfolio. The portfolio was removed from the composite for the month in which the significant cash flow occurred and the following month.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. 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.