SAPIENCE INVESTMENTS

Market Review

The Pandemic Recession of 2020 was deep, intense and at times, frightening. Overall, the recovery has been faster and the scarring from the pandemic less acute thus far than what was being estimated six months ago. Globally, an uneven rebound is underway, nascent in certain regions/industries and more pronounced in others. In the U.S., the fiscal stimulus has been a major contributing factor behind the recovery. Currently, lawmakers are jockeying for political advantage ahead of the upcoming elections and that has led to the stalemate in Congress in passing a second fiscal stimulus program after the first package ran out in July. During the quarter, large Technology stocks were once again the leaders, however, some of the best-performing stocks included an increased representation from other sectors, notably Industrials and Consumer Discretionary. Looking back at this year by quarter, we see that the leaders were Technology and defensive stocks during the first quarter, the second quarter was dominated by a rebound in cyclicals, and the third quarter was more nuanced in terms of market leadership.

A bottom-up view reveals great divergences in the recovery as various parts of the economy rebounded at different rates, times, and magnitudes. Enhanced unemployment benefits supported roughly 27 million Americans through July. As expected, personal income and consumption fell in August and September and will remain depressed until additional support is eventually legislated. The Paycheck Protection Program supported small- and medium-sized businesses during the stay-at-home orders. Meanwhile, less income translates into additional job losses, further slowing the halting progress of gains in the labor market. These developments will weigh on economic growth and corporate profits in the fourth quarter, raising the specter of a double-dip recession. Loose monetary policy has produced a bounce in interest rate-sensitive sectors, such as housing and autos. But industries most acutely affected by the pandemic—Airlines, Commercial Real Estate, Hospitality, Energy, and selected Financials—may see lasting damage to their medium-term prospects if the recovery falters.

The path of the virus remains beguilingly challenging to predict. Some Americans have been reluctant to change their habits in response to the public health threat, so the rate of new Covid-19 infections has risen across the country. Health officials have warned the public to be on guard this winter. Meanwhile, the likelihood that a safe and effective vaccine is released by year end remains in doubt. Once approved, it may take several quarters to make it widely available and many cautious citizens may choose to not assume the risk of taking it. To be sure, the introduction of a Covid-19 vaccine will be a welcome, positive catalyst for economic activity, corporate earnings, and the stock market. But it remains to be seen whether it will arrive soon enough to satisfy already heightened investor expectations.

One of our concerns is the excessive debt on both government and corporate balance sheets, especially in the Commercial Real Estate (CRE) space. The carnage of high leverage is evident in the growing list of bankruptcies in 2020. Consumer Discretionary—Retail, Lodging, and Restaurants—and Energy have been the hardest hit sectors. High levels of unemployment and corporate liquidations will likely lengthen and complicate the recovery. Economic policy has its limits. The Fed is testing the bounds it mandates by literally underwriting a significant fraction of the U.S. economy. The next Congress will undoubtedly discuss further fiscal support and how much should be done to restart the economy as long as the pandemic rages. The efficacy of future stimulus efforts hinges on unknowns such as the progress of the disease and steps people take to mitigate it.

Russell Index Returns—*As of September 30, 2020*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	4.9	-8.7	0.4	1.8	8.0	9.9
Russell 2000 Value Index	2.6	-21.5	-14.9	-5.1	4.1	7.1
Russell 2000 Growth Index	7.2	3.9	15.7	8.2	11.4	12.3
Russell 2500 Index	5.9	-5.8	2.2	4.5	9.0	10.8
Russell 2500 Value Index	3.5	-18.4	-12.6	-2.7	4.7	8.0
Russell 2500 Growth Index	9.4	11.6	23.4	13.4	14.2	14.1
Russell Mid Cap Index	7.5	-2.4	4.6	7.1	10.1	11.8
Russell 1000 Index	9.5	6.4	16.0	12.4	14.1	13.8

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 third quarter, smaller cap indices underperformed the broad market and large cap indices: S&P 500 8.9%, Russell 3000 9.2%, Russell Mid Cap 7.5%, Russell 2500 5.9%, and Russell 2000 4.9%. Over a longer period this trend continued as the larger cap indices maintained a wide spread over small caps for the year to date and the trailing 12 months ended September 30. For example, the Russell 1000 was up 16.0% for the past year while the Russell 2000 was approximately flat (up 0.4%). The Russell 1000 and 2000 Growth Indices once again beat their Value counterparts meaningfully in the quarter. The year to date spreads between growth and value are approximately 36% for large caps and 25% for small caps. Small cap stocks outperformed large cap stocks from the bottom in the last two recessions (2002 and 2009); however, so far small caps are lagging in this recovery.

From a sector perspective, results were mixed; however most trends from the second quarter persisted. In both the Russell 2000 and 2500 Value Indexes, Consumer Discretionary and Materials continued to rebound from their sizable decline in the first quarter. Health Care, Industrials, and Consumer Staples also carried on their positive trend in both Indexes. Conversely, both Energy and Financials partially reversed their second quarter gains. Energy was down between 10% and 16% while Financials were down between 2% and 4%.

Despite the rally in last two quarters, on a year to date basis, all sectors posted negative returns except Health Care, Consumer Staples, and Consumer Discretionary in the Russell 2000 Value and Health Care in the Russell 2500 Value. Financials (-34% and -32%) and Energy (-57% and -59%) remain by far the worst-performing sectors in Russell 2000 Value and Russell 2500 Value on a year to date basis.

Performance Impact

Our third quarter performance was decent but not as buoyant as the second quarter. That is not a surprise, as the second quarter was a sharp recovery from the depths of the massive selloff in March. Looking at the quarter's monthly results, July and August were positive for both the Russell 2000 and 2500 Value Indexes and our portfolios. Meanwhile September was negative for these Indexes and our portfolios. July was the strongest month for both our portfolios as many of our companies posted results that were ahead of expectations for the second quarter. In August, large cap Technology stocks shot up and became the topic du jour due to the headlines related to frenetic call option activity by the Robinhood crowd and rumors of Softbank involvement. As a result, during this month, we slightly underperformed in our Small Cap portfolio and marginally outperformed in the SMID Cap portfolio. In September, the large Technology stocks partially reversed the rapid gains from August. Both our portfolios underperformed their respective benchmarks in this month. In general, markets were weak as uncertainty relating to the passage of the second fiscal program persisted. Overall, our results in the third quarter were more in line with the Indexes associated with each strategy and there were no major outliers. We believe several of our companies continue to execute well and in many cases better than expected during this pandemic. For additional color, please see the discussion below for both strategies which covers the top and bottom five contributors.

Our Small Cap Value portfolio narrowly outperformed the Russell 2000 Value Index by 0.3%: 2.9% gross of fees (2.8% net of fees) versus 2.6%. In reviewing attribution, our sector allocations actually added value; however, our overall stock selection partially offset that gain. While security selection was positive in Financials and Technology, the detractors counteracted the benefits with Energy and Consumer Staples subtracting the most value. Within Energy, the largest detractor was Viper Energy Partners LP, which was down 27% in the quarter (please see the Small Cap Value Equity section for additional discussion on this company).

Our SMID Cap Value portfolio outperformed the Russell 2500 Value Index by 1.4%: 4.9% gross of fees (4.7% net of fees) versus 3.5%. Our stock selection drove our outperformance with the largest contributors being Technology, Materials, and Financials.

Portfolio Strategy and Key Exposures

Activity in both portfolios slowed down materially from March and the second quarter. By and large, the positioning and exposures are consistent with the previous quarter. We exited a couple of businesses and reduced exposure in select holdings where fundamentals have deteriorated due to the Covid-19 pandemic and the dilutive capital that was raised reduces the upside potential.

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	9/30/2020
Discounted Franchises	SCV: 25 – 50% SMID: 40 – 70%	SCV: 31% SMID: 49%	SCV: 35% SMID: 54%
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: 16% SMID: 17%
Undervalued Assets	SCV: 5 – 20% SMID: 0 -15%	SCV: 15% SMID: 8%	SCV: 12% SMID: 2%

Small Cap Value Equity Performance—*Through September 30, 2020*

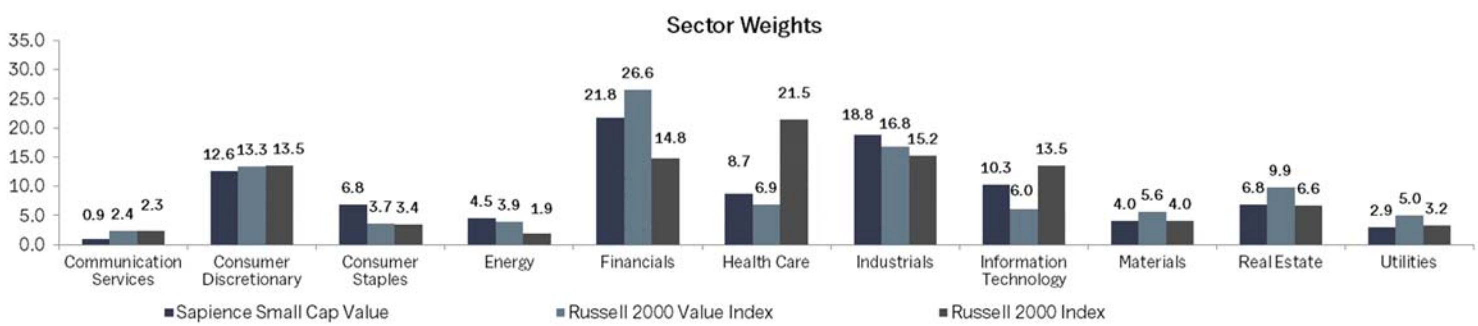
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	2.9%	-23.3%	-19.2%	-7.9%	-2.1%
Sapience SCV Equity Composite (Net)	2.8%	-23.7%	-19.7%	-8.5%	-2.7%
Russell 2000 Value Index	2.6%	-21.5%	-14.9%	-5.1%	0.7%
Russell 2000 Index	4.9%	-8.7%	0.4%	1.8%	6.2%

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 September 30, 2020*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	21.8%
Active Share [2] (relative to the Russell 2000 Value Index)	94.6%
Tracking Error [3]	9.0
Number of Buys[4]	3
Numbers of Sells[4]	5

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



Sources: Russell Investments, FactSet

Small Cap Value Equity

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

Top and Bottom Contributors
Third Quarter 2020

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Diebold Nixdorf, Inc.	Kirby Corp.
The Michaels Companies, Inc.	Viper Energy Partners LP
SailPoint Technologies Holdings, Inc.	Plantronics, Inc.
IAA, Inc.	New Relic, Inc.
Dunkin' Brands Group Inc.	Cathay General Bancorp

Diebold Nixdorf, Inc.
Diebold Nixdorf, Inc. reported second quarter results that were above consensus expectations. Operating profit continues to track above expectations on the back of its restructuring program as well as stability in its services and software revenues. In addition, early in the third quarter, Diebold refinanced its term loans maturing in 2022 with new secured loans maturing in 2025. The better than expected results and removal of refinancing risk contributed to outperformance in the quarter.

The Michaels Companies, Inc.
The Michaels Companies, Inc.'s sales momentum from the previous quarter continued in the current quarter. The company posted 12% comps for its fiscal second quarter as the business experienced strong demand for arts and crafts merchandise and its online business grew significantly during the pandemic. In its third quarter, the company is estimated to be running at a 20% comp rate. Additionally, as part of its investor day in late September, the new senior management articulated a strategy to focus on its core makers, increase online penetration, and, as a priority, utilize its free cash flow to reduce debt.

SailPoint Technologies Holdings, Inc.
SailPoint Technologies Holdings, Inc.'s stock price reacted positively during the period as the company reported an excellent quarter in which revenue grew nearly 50% from last year and the guidance was raised above previous expectations. The company services large enterprise customers in the Identify Governance space and has limited competition except from legacy vendors, such as Oracle and IBM, whom they are displacing at the large enterprise companies. SailPoint's management team is executing well on their growth plan.

IAA, Inc.
Salvage vehicles assignment volumes recovered quickly from trough levels in May. Offsetting the volume decline has been strong demand that has outpaced the supply of salvage vehicles, leading to higher prices, which has helped to offset the decline in volumes. Miles driven has also recovered to pre-Covid levels, suggesting salvage vehicle volumes should continue to improve. Additionally, IAA, Inc. was able to accelerate its planned transition from a physical auction to an online only auction model in April. The transition to online only auctions will provide meaningful cost reductions that should benefit margins.

Dunkin' Brands Group Inc.
Dunkin' Brands Group Inc.'s stock price outperformed as the company regained a majority of the same store sales decline sequentially as the second quarter progressed. Comps had improved from -19% in Q2 to minus low-single digits in July. Dunkin's management team is doing an excellent job with its digital strategy, convenience factor, and menu innovation to drive further growth.

Kirby Corp.
Kirby Corp.'s stock price declined as refinery and petrochemical utilization remains depressed due to lower economic activity. In addition, a series of hurricanes and storms that impacted the Gulf Coast in the last several months added to the challenges facing the industry. Storms create delays that impact utilization and efficiency of barge assets. As a result, utilization of barges remains low, which has pressured spot pricing. We expect barge utilization to improve over time as economic activity recovers and this should lead to higher plant utilization by end customers.

Viper Energy Partners LP
After recovering from extremely depressed levels, the price of oil has plateaued at approximately $40 as the demand for oil has stalled. The main culprit is jet fuel, as air travel will take at least a couple of years to regain prior levels. Viper Energy Partners LP underperformed due to the oil price dynamic. However, it remains an attractive play on consolidation of the fragmented minerals space in the Permian basin.

Plantronics, Inc.
Plantronics, Inc.'s stock price appreciated nearly 50% from the second quarter's end through the end of July as the company posted good results on July 29. The company's headset business is benefiting from the Work from Home (WFH) environment and, as a result, delivered better than expected profitability and free cash flow. Subsequently, the company's stock sold off for two reasons. Initially, when the new CEO was announced, some investors were disappointed as they were expecting that the board was undertaking a sale process for the company. Secondly, at end of August, Siris Capital, a major shareholder, sold over half of their stake at below $14 a share. Investors became concerned about the timing of their exit and their remaining ownership of approximately 3 million shares, which will remain an overhang on the share price as they have a 60 day lock up after the previous sale. For now, the operational improvement that Plantronics has made during the last two quarters has taken a back seat to the aforementioned issues.

New Relic, Inc.
New Relic, Inc. has been growing at approximately 15% in recent quarters and maintains a leading Application Performance Management (APM) solution in the monitoring and observability space. Last quarter, New Relic beat consensus expectations on their revenue and other metrics. They simultaneously announced a major pricing change for their products, which included a free tier. This is expected to help them gain greater traction with their customer base, but comes with a lower growth rate in the medium term. In addition, the message was sub-optimally communicated on the conference call and hence the company's shares sold off. We believe New Relic is trading at an attractive level for a business with a leading edge cloud only multi-tenant APM solution.

Cathay General Bancorp
California-based Cathay General Bancorp reported mixed second quarter results with an unexpectedly large 32 bp decline in their net interest margin which was partially offset by lower provisions since the bank has not adopted new Current Expected Credit Loss (CECL) regulations. Investors have grown increasingly concerned about the bank's need to build additional loan loss reserves in coming quarters due to the loan portfolio's 11% concentration in commercial real estate and 12% of total loans that required modification (as of June 30). We remain confident in Cathay's conservative loan underwriting standards and note that the bank's capital level remains strong with CET1 nearing 13%—in the event of a major credit cycle, the bank has ample loss absorptive capacity. Furthermore, Cathay's shares trade at a discount of 0.95x TBV (peers trade on average at a 1.1x premium to TBV), indicating that investors already discount a relatively subdued outlook.

SMID Cap Value Equity Performance—*Through September 30, 2020*

	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	4.9%	-20.5%	-15.2%	-5.4%	-1.6%
Sapience SMID Cap Value Equity Composite (Net)	4.7%	-20.9%	-15.7%	-6.0%	-2.2%
Russell 2500 Value Index	3.5%	-18.4%	-12.6%	-2.7%	1.6%
Russell 2500 Index	5.9%	-5.8%	2.2%	4.5%	7.6%

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 September 30, 2020*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	26.2%
Active Share [2] (relative to the Russell 2500 Value Index)	95.0%
Tracking Error [3]	6.3
Number of Buys[4]	4
Number 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.

SMID Cap Value Equity

Detailed below is our discussion of overall top and bottom contributors during the third quarter. Diebold Nixdorf, Inc., The Michaels Companies, Inc., SailPoint Technologies Holdings, Inc., Kirby Corp., and Plantronics, Inc. are also owned in our Small Cap Value strategy, and these companies were discussed in the Small Cap Value Equity commentary section above.

Top and Bottom Contributors
Third Quarter 2020

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Diebold Nixdorf, Inc.	Kirby Corp.
Covestro AG	Diamondback Energy, Inc.
The Michaels Companies, Inc.	Plantronics, Inc.
SailPoint Technologies Holdings, Inc.	Parsley Energy, Inc.
WestRock Co.	EnerSys

Covestro AG
Covestro AG, a polyurethanes and polycarbonates manufacturer, benefitted from the robust recovery in the construction, infrastructure, and automotive markets as well as the reversal of inventory destocking. Hence prices of commodity polyurethanes recovered from their bottom in Europe and Asia. Covestro also announced a delay in the expansion of U.S. capacity. These factors contributed to outperformance in the quarter. At the close of the quarter on September 30, Covestro announced a €1.6 billion acquisition of sustainable coatings business in Europe.

WestRock Co.
During the quarter, rumblings of a price increase in the U.S. containerboard became real on September 25 when the industry capacity leader, International Paper, announced a $50/ton price increase. This price increase was immediately followed by other players in the industry. The top four players (International Paper, WestRock Co., Packaging Corp of America, and Georgia-Pacific) have 75% of U.S. capacity and it should be noted that all four players called out economic downtime during the early days of the pandemic. A similar price development is happening in the boxboard market as well. On August 4, WestRock reported better than expected operating profits and earnings. The company's management team reduced debt by $455 million in the quarter. These factors led to WestRock's stock price outperformance during the period.

Diamondback Energy, Inc.
After recovering from extremely depressed levels, the price of oil has plateaued at approximately $40 as the demand for oil has stalled. The main culprit is jet fuel, as air travel will take at least a couple of years to regain prior levels. Diamondback Energy, Inc. underperformed for this reason. However, the company remains one of the lowest cost E&Ps and best managed in the Permian landscape and should thrive in a recovery.

Parsley Energy, Inc.
Parsley Energy, Inc. underperformed during the period due to the oil market dynamic discussed above for Diamondback. Parsley remains one of the premier Permian oil E&Ps and is expected to do well in this industry's new normal environment of lower production.

EnerSys
Enersys is a leading manufacturer of batteries for industrial, telecom, broadband, utility, and other applications. The company's stock price has recovered strongly from the lows reached in the Covid-related sell off due to the recovery

in its business. In mid-August, EnerSys reported results that were ahead of expectations and the company's stock price reacted favorably. We purchased the stock in our SMID portfolio (we already owned it in our Small Cap portfolio) after the earnings release and the company's stock price subsequently declined slightly after our purchase through the end of the quarter.

Outlook

After enduring seven months of this pandemic and a political environment that seems to be increasingly polarizing, the majority of the people in our nation yearn for a return to normalcy. The maxim "the coming events cast their shadows before" comes to mind when discussing the upcoming elections and the current state of the market. At this time, the consensus view is that we will have a change in the White House and the odds of a blue wave are better than even. Over the next one month, we would not be surprised if the uncertainty due to the elections would cause the volatility to remain high. In the next three weeks, we can expect some creative efforts by our President to narrow the gap between the two candidates. We hope that the potential for a contested election does not escalate to the point that it roils the markets. Currently the markets seem underpinned by a supportive Fed and the prospect of another large fiscal stimulus package regardless of the outcome of the election.

So far this year, other than minor hiccups in September, the large cap growth leadership remains entrenched and intact. In early October, in a 449-page report that was presented by the House Judiciary Committee's Democratic leadership, lawmakers who spent the last 16 months investigating the practices of the world's largest Technology companies said that Amazon, Apple, Facebook, and Google had exercised and abused their monopoly power and called for the most sweeping changes to antitrust laws in half a century. The House report is the most significant government effort to check the world's largest tech companies since the government sued Microsoft for antitrust violations in the 1990s. So far, this report has been met with indifference and has had no impact on these stocks.

The current leadership of growth stocks has been the longest in history. We understand why—there is a new economy with foundations in technology that allow for rapid scale at an accelerated rate due to network effects, but the momentum has gone too far from three perspectives.

- There are some terrific growth businesses that are at or beyond full valuation even with a rose-colored glasses outlook.
- There are many more nascent growth businesses that do not have the sustainability or even the survivability that their exorbitant prices seem to project.
- While this new economy has produced a level of disruption that puts a meaningful segment of the value universe in the buggy-whip category, the role of a fundamentally based value manager is to understand and identify the viable businesses that are available at truly outstanding values.

The topic 'if Value investing will ever work again' has been receiving a lot of attention. At the beginning of August we provided our viewpoint on this topic in our white paper-"Navigating Value" (Navigating Value). The current obsession with quality and growth at any price has precedence in the markets. The 1970s Nifty Fifty was a similar environment. Quality is a critical factor for us in evaluating a business; however, what we pay for that business is equally important. The "TAM" (Total Addressable Market) concept is being used to justify the indefensible valuations of certain growth stocks and this reminds us of 1999. In the first few days of the fourth quarter, we are encouraged by the broadening out of the rally to small caps, including value. Is this move just in anticipation of the second tranche of the fiscal stimulus or could the change in the White House be the catalyst that makes this shift in the markets sustainable? In our view, it will take emergence of a credible solution to this virus—whether it's a vaccine that is at least 75% effective or a less effective vaccine along with therapeutics that reduce the severity of the illness—to trigger a real rotation towards value and smaller caps. The table below highlights the reversal that took place in value versus growth in small caps over the three years starting in 2000.

	Russell 2000 Value	Russell 2000 Growth
2000	22.8%	-22.4%
2001	14.0%	-9.2%
2002	-11.4%	-30.3%

Source: Russell Investments.

As we have stated previously, and we still maintain, the economic recovery from Covid-19 is not going to be linear and there could be set backs along the way. The economy has opened up in the last six months and is generally doing better than what was expected in March. In the last couple of months, as schools have reopened and other social activities have resumed, we have seen an uptick in Covid-19 cases. In addition, the concern of a winter surge remains front and center. Between expanded testing, monoclonal antibodies, and the likelihood of a vaccine availability around year end, there is a potential for things to normalize in the next 12-18 months.

We discussed in our last two quarterly letters about exploiting the market dislocations in March and early part of the second quarter by undertaking new investments in businesses that we believe are high quality as well as adding to our existing investments that we believed were significantly undervalued. After delivering solid outperformance in the second quarter, we held our own in both portfolios this past quarter. It is encouraging to see that several of our companies are executing well and a number of them like KAR Auction Services, Inc. and The Michaels Companies, Inc. have transformed their business models during the Covid-19 pandemic to improve their profitability. Ultimately, the execution by the management teams at our companies is where the rubber meets the road. We are enthusiastic at the prospects for several of our companies over the next one to three years and we believe these investments offer attractive upside potential at the current valuations.

Disclosures

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

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

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

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[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

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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.
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