Market Review

For the one year ended May 31, 2021, the Consumer Price Index (CPI) has increased 5.0%. Economists estimate that slightly more than half of the increase can be attributed to the recovery of supply-constrained industries—used cars, rental cars, hotels, and air travel—all of which had been depressed during the pandemic. Anticipating this unwelcome erosion in the purchasing power of the U.S. Dollar, monetary policymakers sought to manage investor expectations by labeling this jump in CPI as "transitory." Inflation may be running at uncomfortably high levels, but "don't worry, because the economy only re-opens once" became the reassuring dominant view.

As long as this narrative held, investors believed that a reversal of ultra-loose financial conditions by the Federal Reserve was still years away because policymakers remained a long way from achieving their employment and inflation objectives. Reflecting these optimistic views, U.S. Treasury bond yields rose from 0.91% at the turn of the year to a peak of 1.77% at the end of March. Treasury yields were broadly range bound in the second quarter, through mid-June, when policymakers surprisingly announced that a majority on the FOMC felt that rate hikes would be appropriate in 2023 rather than 2024, as previously guided. Perhaps more importantly, policymakers would begin to plan the eventual rollback of their generous $120 billion/month bond-buying program. As of July 8th, the U.S. 10-year Treasury bond yield had fallen to 1.25%, as speculators have collectively unwound their bearish bets on interest rates. The glass half-full interpretation of this rate decline is that it reflects confidence in the Fed's ability to manage an inflationary surge; the glass half-empty view posits that economic activity has peaked and will rapidly slow without the continued extraordinary support of monetary and fiscal authorities.

As bottom-up investors, we have a few observations to share. First, the U.S. economy is booming. Managements across a broad array of industries are optimistic that a strong recovery from the pandemic recession of 2020 will persist well into 2022. The Fed forecasts real GDP growth of 7.0% and inflation of 3.4% this year, so on a nominal basis, we believe aggregate company revenues should grow at a robust 10% or more pace. While double-digit revenue and EPS growth may not persist, they will likely remain healthy for many more quarters given the excess savings available for households to spend and the loose credit conditions supporting business activity. Second, inflation is a clear and present danger. Businesses are using their pricing power to offset rising input costs and protect their profit margins. Whether or not this condition is "transitory" remains to be seen. Still, the breadth of price increases across virtually all sectors suggests that the current inflationary impulse will be more than a mere temporary bounce. Third, labor market conditions remain tight and wages are rising. In conversation with managements, for example, we commonly hear that bidding wars have broken out for talented workers as employers face difficulty meeting hiring targets.

Stronger economic momentum and gently rising bond yields supported equity markets since March 2020, and the second quarter was no exception. The S&P 500 closed the quarter at an all-time high after adding 8.6%, while the international EAFE index rose 5.2% and the U.S. Small Cap, as measured by the Russell 2000 Index, gained 4.3%, with the latter two indices having reached their all-time highs shortly before the June FOMC decision. In short, we are mindful that exceptionally loose monetary conditions may not only be adding inflationary pressure in the real economy, but may also be a key propellant behind the remarkable asset price appreciation witnessed across financial markets since last March.

Russell Index Returns—*As of June 30, 2021*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	4.3	17.5	62.0	13.5	16.5	12.3
Russell 2000 Value Index	4.6	26.7	73.3	10.3	13.6	10.9
Russell 2000 Growth Index	3.9	9.0	51.4	15.9	18.8	13.5
Russell 2500 Index	5.4	17.0	57.8	15.2	16.4	12.9
Russell 2500 Value Index	5.0	22.7	63.2	10.6	12.3	10.9
Russell 2500 Growth Index	6.0	8.7	49.6	20.2	20.7	14.8
Russell Mid Cap Index	7.5	16.3	49.8	16.5	15.6	13.2
Russell 1000 Index	8.5	15.0	43.1	19.2	18.0	14.9

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 second quarter, Small Cap Indices underperformed the broad market and Large Cap Indices: S&P 500 8.6%, Russell 1000 8.5%, Russell Mid Cap 7.5%, Russell 2500 5.4%, and Russell 2000 4.3%. However, year to date small caps maintained their lead over the larger caps. For example, the Russell 2000 Index was up 17.5% for the first half of 2021, while the Russell 1000 Index was up 15.0%. The Russell 2000 Value Index was slightly ahead of the Russell 2000 Growth Index for the quarter, while the Russell 2500 Value lagged its growth counterpart by 1% due to the resurgence of growth in the month of June. For the year to date period ending June 30, both the Russell 2000 Value and Russell 2500 Value Indices held on to their significant lead (+17.7% and +14.0%) over their growth counterparts.

For the trailing 12 months, both of our Value Indices have done uncommonly well: the Russell 2000 Value is up 73.3% and the Russell 2500 Value is up 63.2%. Both these Indices have also outperformed their Large Cap Indices and growth counterparts by a significant margin (+21.9% vs. Russell 2000 Growth and +13.6% vs. Russell 2500 Growth).

Performance Impact

Our second quarter performance was good on an absolute basis in both strategies. In Small Cap, we were up 7.2% gross of fees (7.0% net of fees) versus 4.6% for the Russell 2000 Value Index and in SMID we generated 4.9% gross of fees (4.7% net of fees) versus 5.0% for the Russell 2500 Value Index. On a relative basis, we outperformed the benchmark in Small Cap by 2.6% and underperformed the benchmark slightly (-0.1%) in the SMID strategy.

For the first half of 2021, we posted strong absolute returns, 27.8% gross of fees (27.5% net of fees) in Small Cap and 22.4% gross of fees (22.0% net of fees) in the SMID strategy. Our Small Cap strategy's returns were slightly ahead of the Russell 2000 Value Index (+1.1%) and our SMID Cap strategy's returns were slightly behind the Russell 2500 Value Index (-0.3%). We are pleased that the results so far have come from businesses in several sectors that are executing to their potential and have improved earnings. In addition, we believe there is a potential positive rerating for several of our holdings over the next 12-24 months. Despite the reversal of the value factor's performance in the month of June, our portfolios managed to hold on to our returns for the quarter and the first half of the year because of our underlying stock selection.

In the second quarter, our Small Cap strategy outperformed in 9 of the 11 sectors. Industrials and Financials were by far the largest contributing sectors. Within Industrials, KAR Auction Services, Inc. add the most value within the sector. In Financials, special situations Navient Corp. and SLM Corp. were among the largest contributors while The Bank of N.T. Butterfield & Son Ltd. was the largest detractor. Communication Services and Consumer Staples were the two sectors where our strategy underperformed—with the former serving as a more significant detractor. Not owning a meme stock like AMC Entertainment Holdings, Inc. alone cost us 1.2% or the entire relative underperformance within the Communication Services sector versus the Russell 2000 Value Index. (Please see the discussion below that covers the top and bottom five contributors for a few of the investments mentioned in this section.) For the six-months ended June 30, 2021, we outperformed in 6 of 11 sectors; however, among the five underperforming sectors, three sectors (Health Care, Industrials, and Consumer Staples) had minimal underperformance. The remaining two underperforming sectors were Consumer Discretionary and Communication Services, and in both sectors the primary factor was not owning meme stocks, like Gamestop (as discussed in our Q1 letter) and AMC (as discussed above). Conversely, the largest contributor was the Financials sector. Within Financials, SLM, Navient, and Assured Guaranty Ltd., which are all special situations, were top performers.

In our SMID Cap portfolio, we outperformed in 6 of 11 sectors by a small margin in the second quarter. Similar to our Small Cap strategy, Industrials and Financials were the best-performing sectors. Within the Industrials sector, KAR

Auctions Services was the largest contributor. In Financials, SLM and First Republic Bank added the most value, while The Bank of N.T. Butterfield & Son Ltd. and RenaissanceRe Holdings Ltd. were the most significant detractors. On the negative side, Technology, Real Estate, and Consumer Staples were the primary detractors with Alliance Data Systems, Healthcare Trust of America, Inc., and TreeHouse Foods, Inc., respectively, detracting the most value. (Please see the discussion below that covers the top and bottom five contributors for a few of the investments mentioned in this section.) For the six-months ended June 30, 2021, we outperformed in 5 of the 11 sectors by a small margin. Energy and Financials were the top performers. Within the Energy sector, Diamondback Energy, Inc. and EQT Corp. were the primary contributors. In Financials, SLM Corp. and East West Bancorp, Inc. were the top contributors. Among the underperformers, Real Estate and Industrials detracted the most value. In the Real Estate sector, Healthcare Trust of America and CyrusOne Inc. were the largest detractors. Within Industrials, KAR Auction Services was worst performer, carrying its underperformance from the first quarter. KAR Auction Services' stock has been volatile over the last 18 months as the company has undertaken a major cost transformation by eliminating physical auctions, has contended with reduced volumes of used cars at its auctions due to the pandemic, and is in the process of integrating the BacklotCars acquisition to capitalize on the growth in online dealer-to-dealer business.

Portfolio Strategy and Key Exposures

We have exited a few investments—mainly the companies that were either acquired in the last one year (Dunkin' Brands Group Inc., The Michaels Companies, Inc., QTS Realty Trust, Inc., Sterling Bancorp, and Athene Holding Ltd.) or investments that reached our price target—and trimmed the positions that became large due to appreciation to manage the overall risk in our portfolios. Activity in both portfolios has declined from the first half of 2020 and the positioning and exposures remain consistent since the first quarter of last year, as we are pleased with how our companies are executing and still see attractive upside in our investments.

Small Cap Value Equity Performance—*Through June 30, 2021*

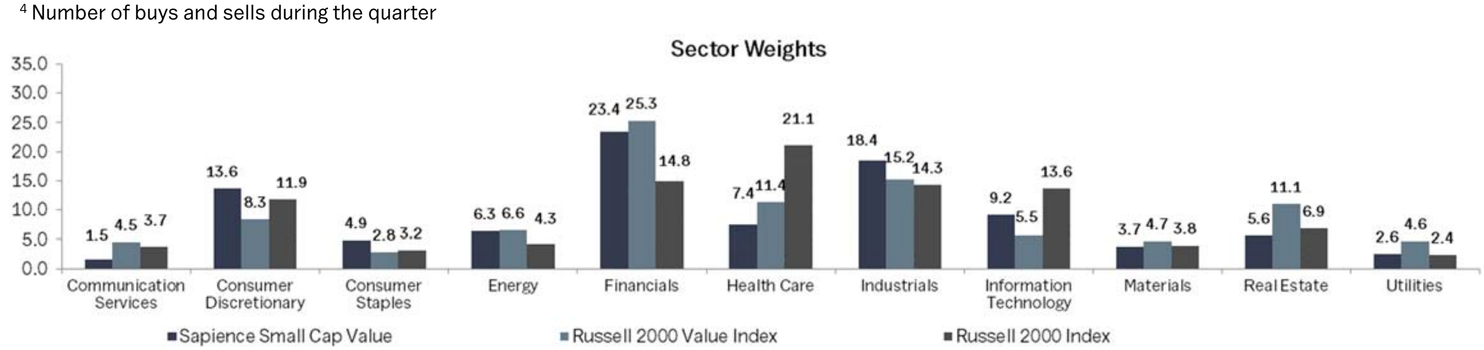
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	7.2%	27.8%	83.8%	9.1%	10.9%
Sapience SCV Equity Composite (Net)	7.0%	27.5%	82.7%	8.4%	10.3%
Russell 2000 Value Index	4.6%	26.7%	73.3%	10.3%	12.4%
Russell 2000 Index	4.3%	17.5%	62.0%	13.5%	15.3%

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 June 30, 2021*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	22.6%
Active Share [2] (relative to the Russell 2000 Value Index)	94.5%
Tracking Error [3]	8.6
Number of Buys[4]	4
Numbers 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

Small Cap Value Equity

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

Top and Bottom Contributors
Second Quarter 2021

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
PDC Energy, Inc.	TreeHouse Foods, Inc.
Sealed Air Corp.	Diebold Nixdorf, Inc.
KAR Auction Services, Inc.	Cheesecake Factory Inc.
Viper Energy Partners LP	The Bank of N.T. Butterfield & Son Ltd.
Plantronics, Inc.	AdaptHealth Corp.

PDC Energy, Inc.
The price of oil increased approximately 20% in the quarter—driven by OPEC plus alliance as well as North American E&Ps keeping a lid on supply and demand, which has been steadily improving as the economies around the world began to reopen. Reflecting the commodity, PDC Energy, Inc.'s stock price increased more than 33% in the second quarter as the management continued to execute well and is targeting to return almost 50% of its market capitalization in free cash flow to the shareholders over the next three years.

Sealed Air Corp.
Sealed Air Corp.'s stock price appreciated nearly 30% during the second quarter. In early May, the company reported better than expected Q1 revenue and profits and raised its full year revenue and earnings guidance. A majority of the revenue uptick was attributed to the input resin related price increase. The markets were pleased with the company's ability to pass along commodity input costs.

KAR Auction Services, Inc.
After a challenging end to 2020, KAR Auction Services, Inc. delivered improved performance in the first quarter of 2021 and the stock price appreciated 17% during the second quarter. The company has made significant reductions to its cost structure by eliminating physical auctions and moving to an online-only auction model. Shortages of used vehicles in the industry, however, have pressured auction vehicle volumes, masking the earnings potential of the business. In the first quarter, the company was able to show some early signs of the improved margin structure, delivering roughly 600 basis points of sequential gross margin improvement on modest mid-single digit sequential revenue growth. The improvement in earnings was meaningfully greater than expected, leading to a recovery in the shares. While the market remains concerned about near-term volumes, we remain focused on the long-term earnings potential of the business once used vehicle volumes improve over the next 1-2 years. As volumes recover, we believe KAR Auction Services should be able to demonstrate the higher normalized earnings potential of the business. In addition, we believe that there is no recognition of their BacklotCars business at the current valuation, while a competitor with slightly greater scale is trading at roughly a $3 billion enterprise value.

Viper Energy Partners LP
The price of oil increased approximately 20% in the quarter—driven by OPEC plus alliance as well as North American E&Ps keeping a lid on supply and demand, which has been steadily improving as the economies around the world began to reopen. Reflecting the commodity, Viper Energy Partners LP's stock price increased more than 31% during the quarter. Due to the low production growth environment in North America, Viper Energy is currently not active in growing through additional acquisitions. However, the company benefits from its relationship with its parent company, Diamondback Energy, as it has access to their minerals, which accounts for almost two-thirds of Viper's mineral exposure.

Plantronics, Inc.
Plantronics, Inc.'s was a top-five contributor even though the stock price only appreciated approximately 7% during the second quarter as we took advantage of the selloff in the stock following its earnings release. The company posted another strong quarter with sales and profitability greater than sell-side expectations. The stock sold off due to the next quarter's sales and earnings guidance being slightly below expectations due to supply constraint components. Plantronics is still seeing strong demand for its video products and headsets. As the investors digested the news, the company's stock price subsequently recovered during the quarter.

TreeHouse Foods, Inc.
TreeHouse Foods, Inc.'s stock price declined nearly 15% during the second quarter as the company posted in-line results for the first quarter but issued weaker guidance for the second quarter due to the lag in passing on increased commodity costs. We believe the lag is reasonable, as it takes longer for private label food companies to pass through

increased commodity costs versus branded peers. The guidance for the full year was maintained as management expects to recoup pricing in the back half of the year.

Diebold Nixdorf, Inc.

Diebold Nixdorf, Inc. reported better than expected first quarter revenue and operating profits. Margins improved year-over-year despite revenue headwinds. Management reaffirmed 2021 guidance issued in February. If there is anything negative to be noted in the report, banking product revenues had a mixed year-over-year performance between geographies with Europe gaining and Americas declining. The company's stock price declined roughly 9% during the second quarter. Diebold has been a volatile stock over the last three years as the company has gone through a major cost restructuring while under new management following its acquisition of Wincor Nixdorf and due to its high debt levels. Its management team has been making steady and measurable progress and 2021 is the first year that the company should generate approximately $150 million (~ $2/share) of free cash flow, which should increase to approximately $200 million (over $2.50/share) in 2022. We continue to believe that the stock will be positively rerated over the next 12-24 months as the company delivers on the free cash flow targets and as it is able to refinance its punitively expensive debt.

Cheesecake Factory Inc.

Cheesecake Factory Inc. reported better than expected results for the first quarter and accelerating trends in the current quarter due to reopening of its restaurants to on-premise dining. In addition, growth in the off-premise business (delivery and pick up) is continuing and contributing to better utilization. Despite strong results, the stock declined nearly 7% during the second quarter as investors have become worried about the company's ability to maintain margins due to increased commodity costs and higher wages along with fears that we might be close to peak demand in the U.S. In addition, after the earnings release, the company issued convertible debt and common stock to refinance their expensive preferred equity issued last April to a PE firm during the depths of the pandemic. The refinancing should be accretive on an earnings per share basis. Finally, we believe that the consumers have a pent-up appetite and have the savings to spend on restaurants and entertainment for the next 1-2 years and the company has growth drivers with its new concepts like North Italia, Flower Child, and other Fox Restaurant Concepts.

The Bank of N.T. Butterfield & Son Ltd.

Shares of The Bank of N.T. Butterfield & Son Ltd. lost approximately 6% in the second quarter. Headquartered in Bermuda with banking and wealth operations across Europe, N.T. Butterfield is an asset-sensitive bank that is currently in its worst-case scenario for interest rates, and it has still been able to earn a high-teens ROTCE (19.3% in Q1 '21). Management has also demonstrated its ability to execute expense reductions in a challenging revenue environment. We remain confident that N.T. Butterfield is well positioned to post strong net interest income growth in addition to its already solid fee income in a post-pandemic world.

AdaptHealth Corp.

AdaptHealth Corp. distributes medical products and related healthcare services to patients in a home setting. The company has established businesses serving diabetes, sleep apnea, and respiratory patients in addition to providing a variety of durable medical equipment and supplies. Diabetes and sleep apnea, which together account for nearly 60% of total revenue, have favorable demand trends—growing at a high single-digit to low double-digit rate. The company is also benefiting from the secular shift of healthcare services to the home, which remains the lowest cost setting for providing healthcare services. A combination of strong market demand, market share gains, and acquisitions have allowed AdaptHealth to become one of the largest players in what remains a fragmented industry. The company has also embraced technology, which provides a competitive advantage in running the operations and providing more efficient services to patients and referral sources. We took advantage of some challenges that pressured the company's shares and established a position at the end of the second quarter.

SMID Cap Value Equity Performance—*Through June 30, 2021*

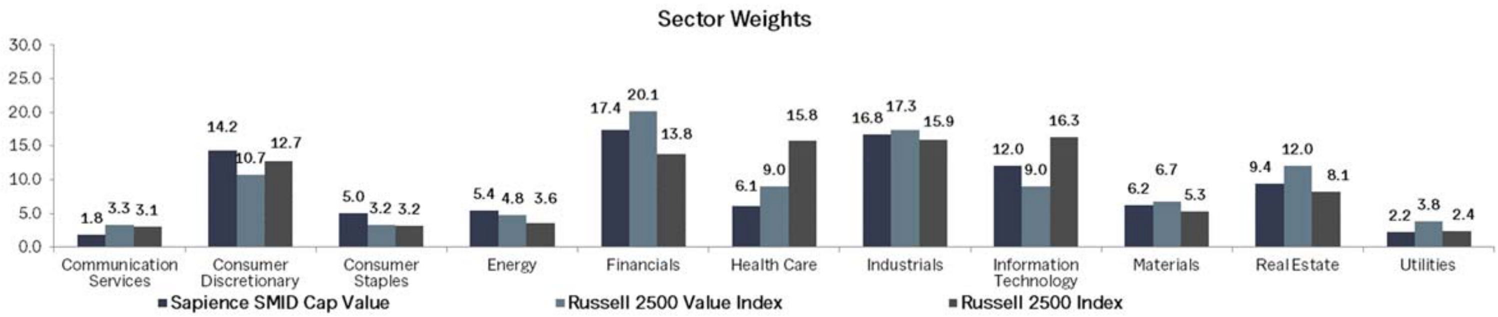
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	4.9%	22.4%	64.6%	7.1%	8.5%
Sapience SMID Cap Value Equity Composite (Net)	4.7%	22.0%	63.7%	6.5%	7.9%
Russell 2500 Value Index	5.0%	22.7%	63.2%	10.6%	11.6%
Russell 2500 Index	5.4%	17.0%	57.8%	15.2%	15.7%

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 June 30, 2021*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	26.7%
Active Share [2] (relative to the Russell 2500 Value Index)	95.4%
Tracking Error [3]	5.7
Number of Buys[4]	2
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 second quarter. Sealed Air Corp., KAR Auction Services, Inc., TreeHouse Foods, Inc., Diebold Nixdorf, Inc., and The Bank of N.T. Butterfield & Son Ltd. are also owned in our Small Cap Value strategy, and these companies were discussed in the Small Cap Value Equity commentary section above.

Top and Bottom Contributors
Second Quarter 2021

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Diamondback Energy, Inc.	TreeHouse Foods, Inc.
Sealed Air Corp.	Alliance Data Systems
LKQ Corp.	Diebold Nixdorf, Inc.
KAR Auction Services, Inc.	Whitbread plc
EQT Corp.	The Bank of N.T. Butterfield & Son Ltd.

Diamondback Energy, Inc.
The price of oil increased approximately 20% in the quarter—driven by OPEC plus alliance as well as North American E&Ps keeping a lid on supply and demand, which has been steadily improving as the economies around the world began to reopen. Reflecting the higher oil price, Diamondback Energy, Inc.'s stock price increased more than 28% during the quarter. Diamondback Energy, Inc. continues to be one of the premier E&Ps in North America with a strict discipline in terms of production growth, one of the lowest-cost base among its peers, and exemplary management/leadership under CEO Travis Stice.

LKQ Corp.
LKQ Corp. is a leading supplier of replacement parts and components for the automotive market. The company provides reconditioned, recycled, remanufactured, and aftermarket parts to collision repair shops and mechanical repair shops. LKQ's stock price increased approximately 16% during the period as the company delivered another strong quarter. The sales, earnings, and increased annual guidance were well ahead of expectations due to improved organic sales growth, especially in the specialty segment along with increased scrap steel prices. The highlight was the record EBITDA margin in North America, which is tracking +650 bps over Q1 2019. This management team has

delivered stellar execution in last two years—the improved margins and the free cash flow conversion are evidence of their operational focus.

EQT Corp.
After having oscillated between $2.50 and $3.00 per MMBTU last year, the price of natural gas finally approached $3 as the demand for LNG globally increased. In addition, investors realized that the North American gas E&Ps barely breakeven at prices below $3 and need a higher price to increase production. EQT Corp.'s stock price appreciated nearly 20% during the second quarter as the company is one of the premier gas E&P in North America due to its scale, quality of acreage, and leadership. Their recent acquisition of Alta Resources further solidifies their position with increased free cash flow production that will allow them to pay down debt.

Alliance Data Systems
Recently added to the portfolio, there was no company-specific fundamental news to account for the nearly 12% pullback in Alliance Data Systems' stock price. On June 15, Alliance reported May operating statistics, which highlighted MoM loan growth with the rate of change of the decline in average receivables falling as well. The company's turnaround plan is tracking towards management guidance of average receivables dropping mid-single digits and end receivables as roughly flat. Given the rapid rate of improvement and quick return towards normal business conditions, the upside to guidance is becoming more likely. In addition, credit trends are tracking towards the bottom end of the low 5% range with the net loss rate reported for May at 5.2% (analyst consensus for FY 21 is approximately 6%). As a spread lender, top-down conditions for Alliance deteriorate as the yield curve flattens, but underlying fundamentals in the retail segments in which they operate remain highly favorable. We believe investors have overreacted to the move in rates and underreacted to evolving retail conditions.

Whitbread plc
Whitbread plc is the owner of Premier Inn, the leading budget hotel chain in the U.K. The stock price declined approximately 9% during the second quarter as the U.K. was behind the U.S. in rolling out the Covid vaccinations as well as the concern over the spread of the Delta variant towards the end of the second quarter. We believe that the company remains well positioned to recover post pandemic to take share due its strong capital position.

Outlook

"The stock market is filled with individuals who know the price of everything, but the value of nothing" ~Philip A. Fisher

Federal Reserve Chair Powell's 'open mouth operations' (as opposed to the more traditional 'open market operations') has had a material effect on equity investor expectations. For the one-month ended July 6, 2021, small-cap growth has outperformed small-cap value by 8.3%, with comparable performance in mid- and large-cap stocks. In small-cap stocks, the relative performance shift can be further decomposed from a sector perspective. In the past month, investors have fled two of the three best-performing sectors in the past year—Consumer Discretionary (-2.5%) and Energy (-4.8%)—while returning to Technology (+4.5%) and Health Care (+7.0%). The Financial sector (-5.6%), which makes up roughly a quarter of the Value Index, has also been indiscriminately discarded in recent weeks as the yield curve flattened from falling bond yields. We are long-term investors, so what happens in a few weeks is usually not consequential over our investment horizon. The question now being asked: is the value cycle over?

Several factors make us optimistic about the outlook. First, the earnings recovery favors many stocks in our portfolio. In response to the Covid crisis, companies cut costs, restructured operations, and refinanced their debts, positioning themselves for the eventual economic rebound. As revenues and operating margins expand while expenses are held in check, companies should enjoy an exceptionally robust rebound in earnings, some of which, but not all, is currently reflected in share prices. We see this story vividly illustrated in several of our companies.

Second, even within the Financials sector, where the flatter yield curve has naturally hurt spread lending businesses, we have found companies with various bottom-up catalysts that should drive up shareholder value over time. Since the last Fed meeting, the minor changes in short-term interest rates should not drastically alter the growth rate in the economy, unless, the interest rate sensitivity of the economy has dramatically increased in the last five years. The outlook for interest rates in the current environment has an outsized influence on the equity markets as over 30% of the market cap of the S&P has been highly correlated with the bond yields. The bet that consensus is making is for slow growth and negative real rates to continue. The markets are taking the view that the post-pandemic scenario will be the same as pre-pandemic and 2020 (i.e. large growth companies will continue to post strong top-line growth and the real rates will remain below zero to support high multiples on these stocks). Could these companies have borrowed from their future growth and is that priced in? We shall know in the next 12 months.

In our view, the value rotation is not dead; however, we could be witnessing a mid-cycle transition. At the same time, we are mindful of overconsumption that might have taken place in the last 15 months and there could be a payback coming for certain industries. In addition, the move-in cyclicals has been historic and these stocks are not priced for decelerating growth. In addition, the uneven roll out of vaccinations across the world, especially in emerging economies, and the increasing spread of the Delta and other recent variants could slow the recovery in the global economy. From the bottom on March 23, 2020 through June 30, 2021 (annualized), the S&P is up 59.6%, the Russell 2000 Value is up 93.5% and Russell 2500 Value is up 87.8%. It is to be expected, and even healthy, for markets to take a breather and correct some in the near future, and not continue to go up in a straight line.

In our maiden white paper—*Navigating Value*—written in August of last year, we discussed where we fit among value investors/firms and we differentiated between value investing as a concept, a sector play, or a factor. At Sapience, we clearly adhere to value "as a concept" and we quote from our paper, "*The concept of value investing centers on three inputs: identifying the criteria you seek in businesses you wish to own, effectively valuing these businesses, and owning the stocks when the current market price for these companies is at a sufficient discount to your estimate of intrinsic value."* From the bottom of the Covid-related selloff through the second quarter of this year (March 23, 2020-June 30, 2021), the annualized return in our Small Cap strategy is +124.8% gross of fees (+123.1% net of fees) outperforming the Russell 2000 Value Index by +31.3%. Similarly, the annualized return in our SMID strategy is +98.8% gross of fees (+97.5 net of fees) outperforming the Russell 2500 Value Index by +11.0%. Our investment discipline and long-term view allowed us to capitalize on the opportunities and dislocations in the market that presented in the selloff. We are not beholden to a single macroeconomic variable or a set of assumptions about interest rates and commodity prices; instead, we are investing in improving businesses that can create enduring economic value over the medium and long term.

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

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

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 Gross 3Y Std Dev (%)	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
2020	7.11	6.41	4.63	0.20	33.32	26.49	12	$716.39	$760.25

*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, 2020. 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 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 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 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 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.
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Sapience Investments, LLC
SMID Cap Value Equity Composite

As of December 31									
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	9.83	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
2020	1.98	1.42	4.88	N/A	29.67	25.40	2	$43.86	$760.25

*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 and incepted October 2016. The firm's list of composite descriptions is available upon request.
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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.
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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. 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.
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