Market Review

“All things are only transitory.” –Goethe

The beginning of the end of easy money has commenced. Federal Reserve Chair Powell definitively signaled this change in his post-FOMC news conference on September 22nd. While no decisions were made, participants generally agree that, so long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year is likely to be appropriate. He went on to describe a “substantially more stringent test” before “interest rate liftoff”. In short, Powell has served notice that a significant turning point in U.S. monetary policy is at hand. However, the consensus view among market participants is still that the FOMC won’t be able to lift rates as postulated and if they do, it would be a policy mistake. *Lower for ever*.... The critical question remains: if not now, then when? It is difficult to imagine a more appropriate time to start planning for normalizing rates, otherwise, the U.S. risks becoming the next Japan.

Initially, investors dismissed mounting inflationary signs as outcomes associated with a few pandemic-affected sectors and the Fed termed these pressures as transitory. Sustained inflationary pressures prompted a warning from the FOMC that bottlenecks, hiring difficulties, and other constraints may prove to be greater and longer lasting than anticipated, posing upside risks to inflation. Today, the focus is on supply-chain constraints, with an emphasis on shipping and logistics. The next phases in this inflationary cycle will prove more durable as they emanate from factors that are not temporary or quickly reversible. Acute labor shortages should drive wages higher, inducing businesses with pricing power to raise prices and protect profit margins. An unwelcome jump in oil and natural gas prices stems from a capital-starved energy industry subject to heightened environmental regulation. Extraordinary tightness in the housing market from chronic underinvestment in new housing has fueled double-digit rent increases across the country. These three forces could sustain higher U.S. inflation for a period that would be considered longer than transitory (by most people).

While the 2021 U.S. economic rebound of close to 6% is the most vigorous annual growth in decades, economic momentum is fading. Observers point to many factors that may be slowing activity, including the Delta variant, global supply chain bottlenecks that restrict businesses from satisfying elevated demand, the withdrawal of Federal unemployment benefit and paycheck protection programs, and even problems in the Chinese property sector that could affect global growth. Even so, with all the noise around a slowdown, any moderation in economic activity should be mild. The Federal Reserve and the Conference Board both forecast that 2022 GDP growth should be 3.8%, a figure well above normal trend U.S. growth.

In the third quarter, investors were broadly complacent about the upcoming shift in the monetary regime. The 10-Year U.S. Treasury bond yield started the quarter at 1.46% and ended at 1.48%, up 2 bps. The S&P 500 Index reached an all-time high in early September but closed the quarter essentially unchanged (+0.6%), while the international EAFE Index followed that same pattern and ended down (-0.5%). Perhaps sensing economic softness, the small-cap Russell 2000 Index lost 4.4% in the quarter, and this Index is almost 350 bps behind the large cap S&P 500 year to date. However, the massive divergence between small-cap value and small-cap growth continued into the third quarter. Both indices were down, with the Russell 2000 Growth Index losing 5.7% and the Russell 2000 Value Index falling 3.0%. However, small-cap value has outperformed small-cap growth by over 20% year to date, with most of the gains recorded early in the year.

Russell Index Returns—*As of September30, 2021*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	-4.4	12.4	47.7	10.5	13.5	14.6
Russell 2000 Value Index	-3.0	22.9	63.9	8.6	11.0	13.2
Russell 2000 Growth Index	-5.7	2.8	33.3	11.7	15.3	15.7
Russell 2500 Index	-2.7	13.8	45.0	12.5	14.3	15.3
Russell 2500 Value Index	-2.1	20.1	54.4	8.9	10.5	13.4
Russell 2500 Growth Index	-3.5	4.8	32.0	16.0	18.2	17.2
Russell Mid Cap Index	-0.9	15.2	38.1	14.2	14.4	15.5
Russell 1000 Index	0.2	15.2	31.0	16.4	17.1	16.8

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, Small Cap Indices underperformed the broad market and Large Cap Indices: S&P 500 0.6%, Russell 1000 0.2%, Russell Mid Cap -0.9%, Russell 2500 -2.7%, and Russell 2000 -4.4%. With this quarter's underperformance, year to date small caps are now trailing the larger caps. For example, the Russell 2000 Index was up 12.4% year to date through September 30, 2021, while the Russell 1000 Index was up 15.2%. Value, however, continues to outperform growth. The Russell 2000 Value Index was ahead of the Russell 2000 Growth Index by 2.7% for the quarter. Similarly, the Russell 2500 Value Index outperformed its growth counterpart by 1.4%. For the year to date period ending September 30, both the Russell 2000 Value and Russell 2500 Value Indices held on to their significant leads (+20.1% and +15.3%) over their growth counterparts.

For the trailing 12 months, both of our Value Indices have done uncommonly well: the Russell 2000 Value is up 63.9% and the Russell 2500 Value is up 54.4%. Both these Indices have also outperformed the Large Cap Indices and their respective growth counterparts by a significant margin (+30.6% vs. Russell 2000 Growth and +22.4% vs. Russell 2500 Growth).

Performance Impact

Our third quarter performance was negative in both strategies. In Small Cap, we posted -4.7% gross of fees (-4.9% net of fees) versus -3.0% for the Russell 2000 Value Index and in SMID we generated -3.4% gross of fees (-3.6% net of fees) versus -2.1% for the Russell 2500 Value Index. On a relative basis, we underperformed the benchmark in Small Cap by 1.7% and in the SMID strategy by 1.3%.

Year to date ended September 30, we posted strong absolute returns, 21.8% gross of fees (21.3% net of fees) in Small Cap and 18.2% gross of fees (17.6% net of fees) in the SMID strategy. Our Small Cap strategy's returns were slightly behind the Russell 2000 Value Index (-1.1%) and our SMID Cap strategy's returns were behind the Russell 2500 Value Index (-2.0%). In the third quarter, as the Delta variant impact was felt across the globe, risk-off sentiment lead to relative weakness in small caps—large growth stocks regained favor once again. Despite the reversal of the value factor's performance in the third quarter, Small Cap and SMID Cap Value Indexes have held on to their strong performance on a year to date basis. Notwithstanding recent supply-chain constrains and inflationary pressures, we remain confident in our thesis for our investments over the medium term. In addition, we believe there is potential for a positive rerating for several of our holdings over the next 12-24 months.

In the third quarter, our Small Cap strategy outperformed the Russell 2000 Value Index in only 4 of the 11 sectors. However, most of the underperformance was concentrated in Technology and Industrials. Communications Services, the worst-performing sector in the Index, was the largest contributor due to the strategy's underweight in the sector. In Technology, Plantronics, Inc. and Diebold Nixdorf, Inc. were the primary detractors. Within Industrials, Kirby Corp. and Enersys subtracted the most value. We remain constructive on all four businesses. (Please see the discussion below that covers the top and bottom five contributors for all of the investments mentioned in this section.) For the nine months ended September 30, 2021, we outperformed in 5 of 11 sectors; however, among the underperforming sectors, Consumer Discretionary, Industrials, Technology, and Communication Services were the largest detractors. In Consumer Discretionary and Communication Services, the primary factor contributing to our strategy's underperformance was not owning meme stocks, like Gamestop (as discussed in our Q1 letter) and AMC. In Industrials, the primary detractor was KAR Auction Services, Inc. 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 and has contended with reduced volumes of used cars at its auctions due to the pandemic. The company issued its four-year financial targets recently and we remain bullish on its outlook over the medium term. Within Technology, the main detractors were SailPoint Technologies Holdings, Inc. and Diebold. SailPoint's stock has performed well since our initial investment; however, it sold off this year in line with other high-multiple software stocks. We remain optimistic on SailPoint's outlook in the medium term. Conversely, the Financials sector was the largest contributor during the period. In Financials, Navient Corp., Assured Guaranty Ltd., SLM Corp., and Redwood Trust, Inc., which are all special situations, were top performers.

In our SMID Cap portfolio, we outperformed in 5 of 11 sectors in the third quarter. Similar to our Small Cap strategy, most of the underperformance was concentrated in Technology and Industrials. In Technology, Plantronics and Diebold were the primary detractors. Within Industrials, Enersys, Kirby Corp., and Oshkosh Corp. detracted the most value. We remain constructive on all five businesses. Conversely, the Consumer Discretionary and Real Estate sectors were the biggest contributors in the third quarter. In Consumer Discretionary, Samsonite International S.A., LKQ Corp., and Whitbread plc were the primary positive contributors. LKQ's management has delivered remarkable performance in the last eighteen months and Whitbread, a leading hotel operator in the U.K., has started to experience improving trends as the Delta variant wanes. In Real Estate, Healthcare Trust of America, Inc. and CyrusOne Inc. were the top performers. (Please see the discussion below that covers the top and bottom five contributors, including Samsonite, Healthcare Trust, and CyrusOne as mentioned in this section.) For the nine-months ended September 30, 2021, we underperformed in 7 of the 11 sectors. However, most of the underperformance was concentrated in two sectors: Industrials and Technology. Within Industrials, KAR Auction Services, Enersys and Kirby were the largest detractors. SailPoint and New Relic, Inc. were the biggest detractors in the Technology sector. Both these software companies declined in sympathy with the sell-off in the overall sector. We sold New Relic during the second quarter and used the proceeds to increase our position in Sailpoint. We discussed SailPoint in the paragraph above. Conversely, Consumer Discretionary and Utilities were the largest contributors during this same period. Within Consumer Discretionary, The Michaels Companies, Inc. and LKQ (as discussed above) add the most value. In the first quarter of 2021, a PE firm acquired Michael's at a healthy premium. In Utilities, IDACORP Inc. was the top performer. (Please see the discussion below that covers the top and bottom five contributors for many of the investments mentioned in this section.)

Portfolio Strategy and Key Exposures

As we wrote in our second quarter letter, in our view, the value rotation is not dead; however, we have been witnessing a mid-cycle transition that could go on for some more time. Our view remains that the Covid-19 dynamic will continue to improve, driving a cyclical recovery as the world has learned ways to cope with the ailment through vaccines and treatment. Given the multi-year lows in capex, inventories, and strong consumer balance sheets, we believe the recovery can continue for a while. The rising inflation and bond yields, a credulous belief and bloated overweights in growth and tech stocks, and the opposite in value and cyclical stocks support our rotation thesis.

Our 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. In light of recent data on inflation, uptick in yields and increase in crude and natural gas prices, we thought it would be prudent to include our views on the Energy, Financials, Industrials, and Consumer Discretionary sectors.

Energy In Energy, both oil and natural gas continue to have a favorable backdrop. In terms of oil, the OPEC plus alliance continues to exercise discipline in maintaining production cuts. The October 4th OPEC meeting was one of the shortest with the alliance sticking to its earlier decision of gradually increasing production by 400k barrels per day from November. Oil demand continues to increase from last year as economies open up globally post Covid. New oil supply has been kept off the market; besides OPEC, the U.S. producers have been extremely disciplined in limiting production despite increasing prices for oil. U.S. producers have been committed to returning a large percentage of their increased free cash flows to the shareholders in the form of dividends and share buybacks—some E&Ps are posting free cash flow and dividend yields of 15% and 12% for fiscal year 2022. Dividends include a base portion and a variable one. Energy stocks remain incredibly cheap on any metric on an absolute basis. Even with secular headwinds, the next 5 years appear to be defensible for oil as renewables have not ramped at the rate that was assumed. In addition, oil is well entrenched into the global infrastructure. Going out farther than 5 years, the outlook starts to become cloudy as technological advances in batteries should result in increased adoption of electric vehicles, negatively impacting oil demand.

Natural Gas has also been witnessing a bit of a renaissance. Natural gas prices, which have perennially been below $3/MCF, saw increases to above $6/MCF. A confluence of reasons are contributing to this with the main ones being the possibility of a cold winter globally, recent liquefied natural gas (LNG) outages in select parts of the world, almost non-existent new natural gas supply (including the U.S. which is affecting LNG exports to Asia), and Russia's inability to service Europe with natural gas through their pipelines. We have always believed that natural gas has a special role to play in the energy transition. The lofty goal by the International Energy Agency of net zero emissions by 2050 can only be met with natural gas carrying a bulk of the medium-term load. Areas such as Africa, China, and India still burn a considerable amount of coal for their electric power needs. Natural gas can serve as an important base load for these countries as they ramp up their efforts to get their power from renewable sources, which requires billions of dollars in investments. Keeping this in mind, we believe Natural Gas has a longer runaway than oil and lower secular headwinds.

Financials The Financial Sector has a favorable near-term outlook for a number of reasons. First, Financials are fundamentally cyclical businesses that benefit when the economy is strong. An expanding economy is generally good for credit growth as small and medium businesses borrow to expand and households take out loans to buy homes and cars. Our portfolio of banks has emphasized companies with excess low-cost deposits in fast growing regions such as the southeast U.S. and Texas. These banks have leverage to the ongoing economic recovery. Solid economic momentum also means fewer businesses and households will default on their obligations, so non-performing assets decline. Second, many Financials are spread lending businesses, gaining early in the cycle when interest rates rise, the yield curve steepens, and net interest margins expand. However, re-pricing a loan portfolio takes time, so the full EPS benefit from rising rates may not be felt for several quarters. Third, Financial companies are relatively insulated from rising wages and cost pressures. The pandemic pushed many consumers to use digital channels to access financial services, so the need for branches and employees has been permanently reduced. Finally, even after recent outperformance, Financial companies are trading at a 30% discount to their average P/E multiple discount, suggesting that substantial further relative performance is possible.

Industrials The outlook across Industrials remains positive with the majority of end markets exhibiting strong or improving demand conditions. Only a few end markets were experiencing weakness. While demand is healthy, supply chain disruptions in the second quarter began to impact both production and the ability to ship finished inventory. We expect the impact to be more meaningful and broad in the third quarter. Companies that are nimble and have well-run supply chain operations will likely see opportunities to take market share in the near term. Industrials will also feel the impact of higher material and freight costs. The majority of companies have raised prices (some have implemented multiple prices increases) through either higher list prices or surcharges. The strong demand environment has facilitated these price increases. However, the impact of the price-cost equation will be mixed across companies—some are able to realize price increases rapidly, while others will see a slight lag in recovering for higher costs. Businesses with a high OEM mix or backlog in particular could be susceptible to some lag. Overall, our portfolio is generally constructed with businesses that enjoy some competitive differentiation and can raise prices during times of rising costs, but a few of our businesses could experience a lag. In contextualizing the current demand environment, we believe it is also important to keep in mind that for several years before the pandemic industrial demand had been generally muted. After the recovery post Covid, multiples have expanded in the sector and future gains are more likely to come from an increase in earnings than from further multiple expansion. The current environment might be reflective of both a recovery from the pandemic-driven trough and some prior underinvestment. While we are mindful of the current outlook, we make our investment decisions based on our views of the long-term fundamentals of the businesses and their ability to outperform across a cycle rather than near-term demand patterns.

Consumer Discretionary The outlook for Consumer Discretionary generally remains positive with the majority of categories exhibiting strong or improving demand. Consumers have ample savings and are ready and willing to spend. As the economies open up after the pandemic, there will be a shift among categories—from spending on certain goods to services, travel, and entertainment. While demand is healthy, supply chain disruptions began to impact production and the ability to ship goods in the third quarter. In addition, labor shortages are impacting restaurants, hotels, and theme parks. We expect the shipping delays and production curtailment in Asia due to the Delta variant to impact retailers in a more meaningful way for the holidays. We believe some or most of this impact has been factored into the stock prices during the third quarter. The majority of companies have raised prices and have been successful in passing through the increases so far without impacting demand. Overall, our portfolios have businesses that enjoy pricing power to a certain degree and should be able to protect their margins. In addition, several of our Consumer Discretionary businesses are in travel- and entertainment-related segments and should greatly benefit from pent up demand over the next two years. Valuations remain attractive in the sector. While we are mindful of the current outlook, a majority of the businesses we own are high-quality franchises that should do well over the next several years.

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

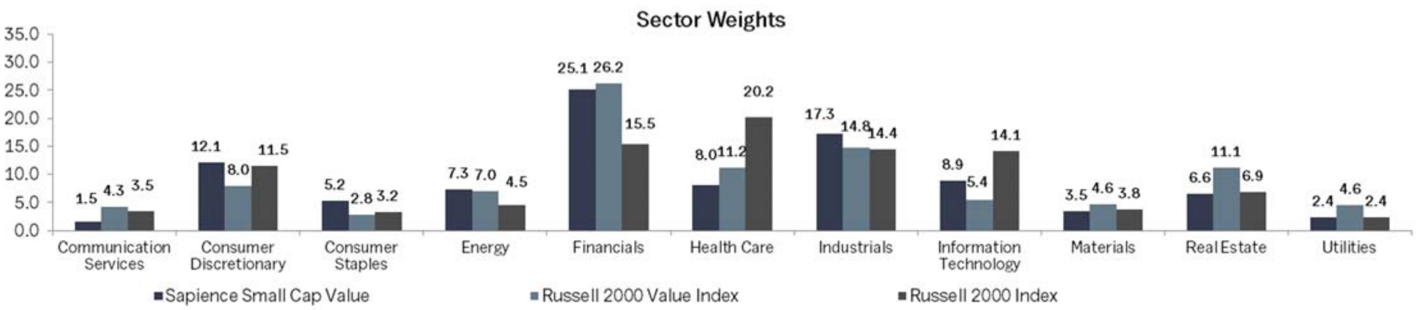
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	-4.7%	21.8%	70.2%	6.5%	9.3%
Sapience SCV Equity Composite (Net)	-4.9%	21.3%	69.1%	5.8%	8.7%
Russell 2000 Value Index	-3.0%	22.9%	63.9%	8.6%	11.0%
Russell 2000 Index	-4.4%	12.4%	47.7%	10.5%	13.4%

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 September 30, 2021*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	22.3%
Active Share [2] (relative to the Russell 2000 Value Index)	94.5%
Tracking Error [3]	7.8
Number of Buys[4]	1
Numbers of Sells[4]	0

[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 2021

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Rexnord Corp.	Plantronics, Inc.
Viper Energy Partners LP	Diebold Nixdorf, Inc.
Redwood Trust, Inc.	Kirby Corp.
Samsonite International S.A.	EnerSys
Webster Financial Corp.	Urban Outfitters, Inc.

Rexnord Corp.
Rexnord Corp. delivered better than expected results for the second quarter and issued better than expected guidance. The company's Water Management segment continued to generate strong results with core sales growth near 30% in the quarter. The segment delivered 4% core growth in 2020 and is expected to generate low double-digit core growth in 2021. The Process and Motion Control (PMC) segment also delivered strong core growth (~16%) despite its sizable aerospace business still being under pressure. Good performance in both segments allowed management to raise the outlook for the balance of the year. Rexnord's shares also benefited from the planned sale of its PMC business to Regal Beloit Corp. The transaction closed in early October, transforming Rexnord from a diversified industrial company into a pure play water management company. The separation should allow management to further focus on its organic growth initiatives while highlighting EBITDA margins that are among the highest in the water industry. Following this transaction, the company changed its name to Zurn Water Solutions Corp.

Viper Energy Partners LP
Besides a favorable environment for oil in the quarter that benefitted oil equities, Viper Energy Partners LP reported a good quarter beating their oil production and cash distribution estimates by more than 5% and 21%, respectively. They also announced an increase in their distribution and their intent to resume their acquisitions as the company has improved its balance sheet in the last six months. A few days after their earnings call, Viper Energy announced an acquisition in the Permian's Midland Basin—increasing their exposure to their parent company, Diamondback, which has superior execution.

Redwood Trust, Inc.
Specialty finance company and REIT Redwood Trust, Inc. reported strong second quarter results, with earnings easily beating consensus estimate, driven by robust mortgage banking trends and asset price recovery. Most notable in Redwood's results was the jump in its GAAP book value (BV) by +6.5% to $11.46 (from $10.76). Multiple factors may drive BV higher. First, further BV gains in the securities portfolio may be realized. Redwood's management noted on its conference call that its securities portfolio still has a $300 million (or $2.60/share) of net discount to par, which could reverse into BV over time. Second, the single-family residence (SFR) and business purpose lending (BPL) businesses are performing exceptionally well, driving earnings well ahead of the $0.18/share quarterly dividend. Redwood's management team confidently updated guidance of +20-25% return on capital on the operating businesses, up from +20% at the start of the year (this forecast assumes a modest slowdown in SFR lending and lower GoS margins the second half of 2021). Third, increased call activity as it adjusts its investment portfolio could provide considerable upside (~$0.80/share to BV). Redwood's shares should trade at a more significant premium to BV.

Samsonite International S.A
Samsonite International S.A delivered slightly better than expected second quarter results due to the recovery in summer travel in the U.S. and Europe. More importantly, Samsonite delivered better than expected gross margins and expects sales to improve going forward as international travel restrictions ease in most of its global markets post-Delta variant. We believe that Samsonite remains well positioned as travel recovers over the next 2-3 years.

Webster Financial Corp.
Webster Financial Corp. reported strong operating EPS in the second quarter, handily exceeding consensus forecasts. Like many of the bank's peers, negative provision expense (-$21.5 million) supported by a 20% decline in NPLs and modest net recoveries accounted for a significant fraction of the quarterly beat. Core earnings trends were also solid as they posted core loan growth (excluding PPP) of +13% LQA from strength in the middle market and sponsor/specialty lending. On its earnings call, Webster's management team expressed confidence that pro forma loan growth would run in the +8-10% range in fiscal year 2022 and 2023 after the merger with Sterling closes. In addition, NIM fell 10 bps due to continued deposit inflows. Webster's management has also kept a lid on expenses, remaining on track for an 8-10% cost reduction by the fourth quarter and giving the bank operational leverage as business momentum improves. We believe the company's stock trades at a discount to peers that does not make sense for a bank with an ROTCE in the 16-17% range (pro forma).

Plantronics, Inc.
Plantronics, Inc. posted another quarter with sales and profitability greater than sell-side expectations. However, the company's stock sold off due to the next quarter's sales and earnings guidance being slightly below expectations due to supply constraints for certain components and pressure on margins due to elevated freight costs. Plantronics is still seeing strong demand for its video products and the audio business is recovering after the pandemic. We believe the component constraints and elevated freight costs are transient issues but the underlying demand for their video products has secular tailwinds for the next several years.

Diebold Nixdorf, Inc.
Diebold Nixdorf, Inc. reported second quarter results in July that came in below expectations. The company's management team attributed this to global supply chain issues—not demand issues, especially for their products. Relevantly, Diebold's management team maintained it's earlier provided full year revenue guidance, but reduced full year operating profit by $25 million on account of increased freight and material costs. Management is taking actions to nearshoring some final assembly operations to the U.S. and hence we believe the increased costs to be transient.

Kirby Corp.
Kirby Corp.'s financial results began to improve sequentially during the second quarter. Inland barge utilization improved to the low to mid 80% range from the mid 70% range in the first quarter. Spot pricing in the inland marine market also improved 10% sequentially, but remains down 10-15% versus the prior year. Although market conditions are expected to continue showing sequential improvement, the long-term contract nature of the business suggests that it could take several quarters for higher barge utilization to translate into improved financial results for Kirby's inland marine business. Storm activity in the Gulf Coast could also have resulted in disruptions to normal barge operations and adversely impacted results in the upcoming third quarter.

EnerSys
Enersys is a global leading manufacturer and distributor of industrial batteries. The company posted a better than expected fiscal year Q1 2022 results. The company's stock sold off in the third quarter as the next quarter's earnings guidance was lower than expected due to accelerated investments in its EV charging stations business, a pull forward of annual wage increases, and supply constraints. We are constructive on Enersys in the medium term due to a healthy and growing backlog for its core batteries business and the optionality of the EV charging business.

Urban Outfitters, Inc.
Urban Outfitters, Inc. posted a record quarter with comparable sales and profitability far greater than expectations. The company's stock sold off on fear that Urban would not be able to meet strong demand due to supply constraints for apparel in Vietnam as a result of the Delta variant and pressure on margins due to elevated freight costs for the holidays. However, we remain optimistic on the company's medium-term outlook as it is seeing solid demand at all of its concepts and, being a premium retailer, has the ability to pass through price increases.

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

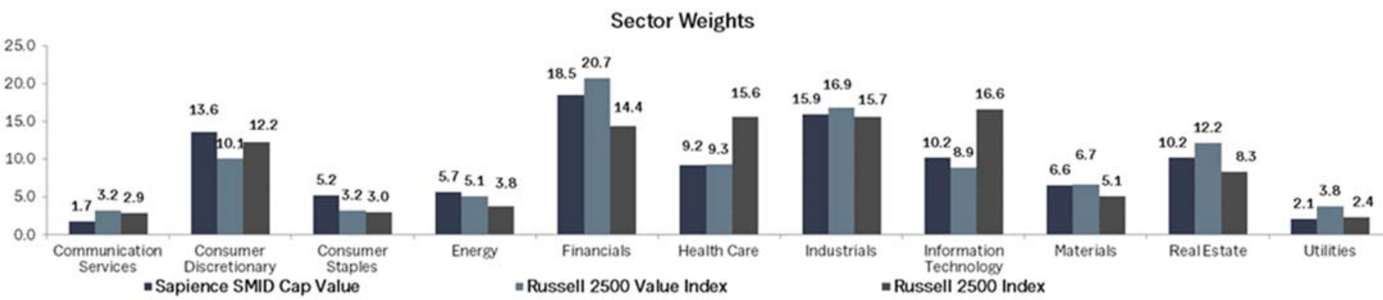
	Quarter	Year to Date	1 Year	3 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-3.4%	18.2%	51.6%	6.3%	7.3%
Sapience SMID Cap Value Equity Composite (Net)	-3.6%	17.6%	50.7%	5.7%	6.7%
Russell 2500 Value Index	-2.1%	20.1%	54.4%	8.9%	10.5%
Russell 2500 Index	-2.7%	13.8%	45.0%	12.5%	14.3%

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.

SMID Cap Value Equity Characteristics and Sector Weights—*As of September 30, 2021*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	27.0%
Active Share [2] (relative to the Russell 2500 Value Index)	95.5%
Tracking Error [3]	5.2
Number of Buys[4]	2
Number of Sells[4]	1

[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. Plantronics, Inc., Diebold Nixdorf, Inc., EnerSys, Kirby Corp. and 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 2021

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Regal Beloit Corp.	Plantronics, Inc.
Healthcare Trust of America, Inc.	Diebold Nixdorf, Inc.
East West Bancorp, Inc.	EnerSys
CyrusOne Inc.	Kirby Corp.
IDACORP, Inc.	Oshkosh Corp.

Regal Beloit Corp.

Regal Beloit Corp. reported a strong second quarter with better than expected sales and earnings. The company also introduced initial full year earnings guidance meaningfully ahead of expectations. Sales growth was broad based across all four of its segments. A key reason for having a position in Regal Beloit was our view that management was executing well on its plans to improve margins. During the quarter, three of Regal Beloit's core segments delivered significant operating margin improvement compared to operating margins in the second quarter of 2019, highlighting the improvements made to the businesses. In March 2020, the company's management had set a goal to improve operating margin by 300 basis points by 2022. That goal will now be achieved in 2021. Regal Beloit also announced that 2022 pro forma EBITDA (including Rexnord's Process and Motion Control business) was expected to be greater than $1.0 billion, above the initial expectations when the deal was announced. Following the acquisition of Rexnord's Process and Motion Control business the company changed its name to Regal Rexnord Corp.

Healthcare Trust of America, Inc.

The abrupt resignation of Healthcare Trust of America Inc.'s CEO and Founder overshadowed solid second quarter results at the medical office REIT. Comments from Healthcare Trust's management suggest that the action did not stem from any financial impropriety and that real estate values and cash flows have been accurately presented on financial statements. For the second quarter, Healthcare Trust reported that cash NOI grew +2.1%, rental margins increased 50 bps, and occupancy trends were stable or improving across its portfolio. In addition, Healthcare Trust's development pipeline remains robust. The company has closed on or is in contract on $373 million of investments year to date, well on the way to achieving its fiscal year 2021 guidance of $375-600 million of investments. The medical office building segment is steady and predictable. Healthcare Trust's shares trade in line with its REIT peers, despite offering a superior growth profile over the next three years.

East West Bancorp, Inc.

Higher PPNR and lower credit costs combined to drive East West Bancorp Inc.'s quarterly earnings well above consensus. For the second consecutive quarter, loan growth (excluding PPP) positively surprised, rising at +12% LQA, fueled by strong single-family residence, multi-family, and commercial real estate lending. Core NIM was also solid, adding +3 bps to 273 bps even as core deposits jumped +34% LQA. More than half of the positive EPS surprise this quarter can be attributed to a negative loan loss provision expense, justified by falling criticized loans (down 15% quarter-over-quarter), NCOs of only 13 bps, and improving economic conditions. That said, the allowance for credit losses remains elevated at 152 bps, potentially supporting both additional future loan growth and EPS growth through provision releases. The bank has minimal exposure to mainland Chinese borrowers and no direct or indirect exposure to Chinese property developers. As they did in the first quarter of 2021, management raised its fiscal year 2021 core loan growth outlook and net interest income based upon ongoing business momentum. They now guide towards +10-11% loan growth (ex-PPP), up from 8%, and they added net interest income growth guidance of +10-11%. In short, East West has been able to capture a large share of early cycle business activity and translate that into profitable growth. East West's shares trade near the market earnings multiple, but they should trade at a premium given its superior outlook. Hence, there is room to positively re-rate, especially as interest rate expectations stabilize and eventually move higher.

CyrusOne Inc.

News of the CyrusOne Inc. CEO's sudden departure sparked renewed investor speculation about whether the data center company is up for sale, entertaining an offer, or considering going private. What we do know is that CyrusOne's assets are solid, sales momentum in their target markets is accelerating, and the stock is cheap, trading at a discount as a result of management having set low expectations with investors. Operationally, CyrusOne performed well in the second quarter. The company's revenue backlog increased +14% to a record $129 million with a total contract value of $1.1 billion, equating to an average weighted lease term of more than eight years. Leasing volume in the second quarter was $41.8 million (21 MW), a level that is 18% over the trailing four quarters. CyrusOne's management tightened its ranges for forward guidance for fiscal year 2021, often raising its forecast of critical metrics, including normalized FFO guidance. Developments in Europe are proceeding rapidly, with management highlighting growth in Madrid and Frankfurt as key geographies driving activity. Recent M&A activity in the data center space suggests that large pools of capital seek infrastructure assets like CyrusOne, so the stock should not remain undervalued for long, despite the behind-the-scenes drama in the boardroom.

IDACORP, Inc.

IDACORP, Inc. is a regulated utility and serves markets in Idaho, Oregon, Nevada, and Wyoming. The company's stock outperformed in the third quarter after posting a large earnings beat and raising its 2021 guidance to account for strong customer growth trends in its served markets.

Oshkosh Corp.

Oshkosh Corp. was impacted by supply chain challenges that prevented the shipment of about $100 million of product during the quarter. The company's margins were also adversely impacted by higher material and freight costs as well as under-absorption of fixed costs due to the parts shortage impact on production. Additionally, its Defense segment should see some pressure over the next two years from lower anticipated budgets for tactical wheel vehicles. Despite these challenges, demand for aerial equipment remains strong and the outlook for the fire truck market improved. Oshkosh began production planning for the U.S. Postal Service delivery vehicle, which should start contributing in 2023. We believe the long-term outlook for the company remains positive and the operational challenges that impacted the calendar second quarter should diminish over the next few months. The company also has a net cash position, putting Oshkosh in a strong financial positon.

Outlook

"Although value is a weak force in any single year, it becomes a monster over several years. Like gravity, it slowly wears down the opposition." -Jeremy Grantham

In recent years, policymakers and investors have engaged in a dangerous Faustian bargain whereby the cost of capital has been kept artificially low in exchange for smoothly rising asset values. However, Faustian bargains are by their nature self-defeating—what is surrendered is ultimately more valuable than what is obtained. In this case, U.S. economic policy has been geared to cushion the economy for several years first after the GFC, then at end of 2018 in response to the tariff wars and the market tantrum, and then last year against the shock of a one-in-a hundred-year pandemic. The cost of capital, an essential market signal, has, however, been held too low for too long. Across financial markets, ample central bank liquidity has turbocharged asset valuations, enabled excessive and speculative risk taking, and allowed for a historical decoupling of asset prices from underlying economic fundamentals. The reversal of this policy, and the resulting rise in the cost of capital, has broad ramifications for the financial markets.

At an elemental level, a higher cost of capital lowers the value of future cash flows. This effect can manifest itself in several ways. High-growth companies without profits, often traded as a multiple of revenue, are long-duration assets with valuations that are difficult to justify in a rising cost of capital environment. In addition, excessively indebted, highly leveraged companies should see their borrowing costs rise and equity valuation come under pressure. Accordingly, the decade long valuation gap between growth and value stocks should continue to narrow as the cost of capital rises.

Volatility is also likely to increase, favoring active over passive investing. The Fed's Quantitative Easing program has dampened volatility in bond, foreign exchange, and equity markets in recent years. Investors have gathered confidence because they have been incentivized to search for yield wherever it has been offered. As the cost of capital rises in the new regime, investors will be forced to discriminate among their investments. Both macro and micro uncertainty should grow. Investors will debate when and how economic policy will change. In a more inflation-prone environment, consumer demand can be more variable, and corporate profit margins are under constant input cost pressure. In short, the equity risk premium should rise to account for these heightened uncertainties. However, policymakers can minimize the risk of a disorderly market correction if the policy change is incremental and well telegraphed not to shock investor expectations. The way out of the current predicament for policymakers is not to give into a tantrum by the markets but rather to have a backbone. A key risk in the environment ahead is that investors underprice the path of Fed tightening, hoping that the liquidity taps remain loose—sustaining the current climate. Fed policymakers believe that the medium-term neutral Fed Funds rate is 2.5%, but that is news to money market traders who do not expect 3-month LIBOR to reach 2.5% until 2030 and discount a sub-1% rate until late 2023 or early 2024.

We are gratified that our view about the upside potential in small/SMID value, and more specifically, in our portfolios has been playing out since the bottom was reached in the equity markets on March 23, 2020. The markets over the last five years can be characterized by an increasingly fervent zeal to invest in growth stocks with minimal regard for prices paid and downside risk. Many investment firms take pride in deemphasizing valuation—read their letters or listen to their podcasts. As multiples have risen, many such investors are now using non-objective measures of quality to defend their holdings at lofty valuations. High multiples *DO NOT* always equate to higher quality. We believe many mistakes are being made based on investors' desire to expand exposure to quality growth—overpaying for growth and quality businesses doesn't protect against losses and downside risks. The environment is shifting but these investors and their allocators are caught in a cognitive trap of rear-view framing. As Buffett has said, "only when the tide goes out, do you discover who's been swimming naked". We believe that the tide is beginning to ebb and the next phase will likely de-rate high-multiple growth stocks and lead to a rotation towards reasonably valued businesses. As the economic environment becomes more volatile, we believe Sapience can add value through our fundamentals-driven process, which avoids being beholden to a single macroeconomic view or being dogmatic about an investment style box. We have always believed and maintain that quality, growth, and valuation are equally important criteria in evaluating any business. We remain disciplined—investing in durable and undervalued businesses that we believe will create economic value over the medium and long term.

Disclosures

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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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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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