Market Review

"What we do know is that speculative episodes never come gently to an end. The wise, though for most the improbable, course is to assume the worst." -John Kenneth Galbraith

Nobel laureate economist Milton Friedman once compared central banks that act too forcefully to a fool in the shower. When the fool realizes that the water is too cold, he turns on the hot water. However, impatient for the hot water to arrive, the fool turns the hot water up all the way, eventually scalding himself. Applied to economies, the metaphor suggests that eager policymakers are susceptible to overshooting their target, making things worse rather than better. The time between a policy action and subsequent changes in economic performance may be quarters or years rather than weeks or months, as economic actors require time to adjust their behavior and expectations. Accordingly, actions designed to alter the course of the economy should be taken incrementally, one step at a time, to avoid excessive stress on the financial system.

To be sure, virtually everyone now recognizes that U.S. inflationary trends are uncomfortably high. Since March, monetary policymakers have "moved expeditiously," according to Chair Powell, to take policy from an "accommodative" to a "restrictive" setting. The FOMC promises to hold short-term interest rates in a "restrictive" posture until they see "compelling evidence that inflation is moving down, consistent with inflation returning to 2%." Over the past six months, this FOMC has engineered what many observers consider the most rapid tightening in the history of the Central Bank.

The Federal Reserve responded quickly and appropriately to the massive economic shock from the pandemic. Effectively, it imposed a negative cost of capital on lenders, supporting the economy, and triggering a tidal wave of borrowing and speculative investment as investors were prodded by greed. Now that policymakers have reversed course and real interest rates have risen above zero, that process is reversing, and we have witnessed significant losses in almost all asset markets.

Consistent with Friedman's research on the "long and variable lags" of monetary policy, the full impact of recent Federal Reserve actions has yet to unfold in the real economy. Yet, as bottom-up fundamental investors, we see signs of slowing economic activity in the companies and industries we follow. These signs frequently foreshadow turning points in the aggregate economic data. When FedEx reports "weakening economic conditions," when Nike and Micron Technologies preannounce a huge, unplanned jump in inventories, and when Meta Platforms reveals an office closing and staff layoffs, slower economic news is ahead. Emerging labor market slackness is suggested by bank managements in red-hot Texas, who indicate that finding and hiring tellers and back-office employees is getting easier. We anticipate that slower momentum and moderating inflationary pressures will be central features in the economic narrative in coming quarters. Meanwhile, as events unfold, investors anxiously wait for the fool in the shower to "pivot" and turn the water back to hot so the speculative frenzy can resume.

The third quarter was a testing time for most asset owners. Investors' hopes for relief from higher short rates in early 2023 were emphatically dashed in a dramatic speech from Chairman Powell in Jackson Hole. Developments in the bond market provide an essential barometer of this shift—the 10-year Treasury bond yield rapidly increased 100 bps to a high of 4.01% in late September before closing the quarter at 3.83% since investors now discount a peak Fed Funds rate in the 4.50-5.0% range.

Russell Index Returns—*As of September 30, 2022*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	-2.2	-25.1	-23.5	4.3	3.6	8.6
Russell 2000 Value Index	-4.6	-21.1	-17.7	4.7	2.9	7.9
Russell 2000 Growth Index	0.2	-29.3	-29.3	2.9	3.6	8.8
Russell 2500 Index	-2.8	-24.0	-21.1	5.4	5.5	9.6
Russell 2500 Value Index	-4.5	-20.4	-15.4	4.5	3.8	8.4
Russell 2500 Growth Index	-0.1	-29.5	-29.4	4.8	6.3	10.3
Russell Mid Cap Index	-3.4	-24.3	-19.4	5.2	6.5	10.3
Russell 1000 Index	-4.6	-24.6	-17.2	8.0	9.0	11.6

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

Small- and Mid-Cap Market Review

The third quarter began with an optimistic beat and equity prices lifted across the board. However, by mid-August, optimism had faded and returns shifted negative delivering a third consecutive negative quarter for most Indexes. As measured by the Russell Indexes, the only positive outlier was the Russell 2000 Growth Index, which posted a 0.2% return during the quarter. Small caps outperformed large-cap companies for the first time this year and growth outperformed value in both September and the third quarter. Year to date, value still maintains a strong lead over growth with a margin of 8.2% in small caps and 12.9% in large caps. This is the widest margin since the early 2000s.

From a sector perspective, only a couple of sectors finished the third quarter in positive territory. Across both the broad and value Russell 2000 and 2500 Indexes, Energy returned between nearly 6% and 8%. The Health Care sector also generated positive returns for both Small Cap Indexes as well as the broad Russell 2500 Index. Laggards during the period were the Real Estate and Communication Services sectors, declining between -9.8% to -12.6% and -9.3% and -14.6%, respectively.

After the selloff in the last six months, the ratio of Russell 2000 to the S&P 500 is closest to the lowest in almost 20 years. On a relative basis, small caps are unusually cheap. Small-cap shares are already taking into account some likelihood of a recession. In addition, small-cap companies are typically less impacted by a stronger dollar as more of their revenues are derived domestically versus large-cap companies.

Performance Impact

Both our strategies delivered respectable results compared with their respective benchmarks, but we still produced negative absolute returns. Our Small Cap Value strategy returned -4.4% gross (-4.6% net) and our SMID Cap Value strategy returned -3.8% gross (-4.0% net). On a relative basis, our Small and SMID Cap Value strategies narrowly outperformed our benchmarks (the Russell 2000 Value Index and the Russell 2500 Value Index, respectively) for the quarter by +0.2% in Small Cap and +0.7% in SMID. On a year-to-date basis, both strategies continue to lead their respective benchmarks by +3.2% in Small Cap and +4.5% in SMID.

In reviewing our Small Cap portfolio's attribution, we added value relative to the Russell 2000 Value Index in 8 of the 11 sectors. Top contributors to performance included Technology and Materials as well as exposure to cash (a by-product of our bottom-up stock selection process). In Technology, New Relic, Inc. was the top performer and within Materials, ATI, Inc. added the most value. On the negative side, and conversely to last quarter, our strategy underperformed in the Health Care sector. The worst performer in this sector was Syneos Health, Inc. (All three companies are discussed below in the top and bottom five contributors section.)

In our SMID Cap Value portfolio, we also outperformed in 8 of 11 sectors in the third quarter with Financials, Technology, and Consumer Discretionary adding the most value. Exposure to cash further enhanced performance during the period. In Financials, Nasdaq, Inc. and Webster Financial Corp. were the top performers as both high-quality businesses posted strong results that were ahead of expectations. Within Technology, New Relic added the most value, while Samsonite International S.A. was the top contributor in the Consumer Discretionary sector. Meanwhile, the Health Care sector was the largest detractor in the third quarter. In this sector, Elanco Animal Health Inc. and Syneos Health were the primary detractors. (Nearly all companies mentioned above are discussed below in the top and bottom five contributors section.)

Portfolio Strategy and Key Exposures

The third quarter was dominated by macro factors as investors became optimistic during the first half of the quarter that the inflation had peaked and FOMC was close to signaling a pause. However, Chairman Powell's hawkish speech in Jackson Hole along with the elevated August CPI quashed those hopes in the second half of the quarter. In addition, the concern for equity investors has shifted from inflation to an impending recession. The correlations remained elevated within equities as fundamentals were mostly ignored and stocks were trading based on their sectors and factors (e.g. low volatility) rather than on underlying performance of the business.

Last quarter, due to the upward pressure on yields, along with expectation of an economic slowdown and pressure on earnings, we retained our conservative bias. As a result, we have been extremely selective, and not too active, in deploying the cash in our portfolios, which has built up following the 4-5 acquisitions that occurred earlier this year. Similar to last quarter, we continue to maintain a large relative overweight in the Consumer Staples sector. Notwithstanding the selloff in energy stocks in the last three months, we retain a positive bias towards the sector due to the supply constraints.

The underperformance in small cap growth versus small cap value took a breather during the third quarter. As we had written last quarter, value can be found in traditional growth sectors, like Technology and Health Care. With the recent decimation in the Technology sector, we have started adding exposure to a few select, software businesses. We believe we are moving towards a market environment where returns will be driven more by stock selection rather than sector selection or simply based on factors like low volatility versus momentum and even value versus growth. We are pleased with how a majority of our companies have been executing since the Covid crisis, and, after the selloff in the last six months, we believe several of our investments are real bargains. In addition, a few of the durable businesses we have owned in the past or have long followed are starting to come into our valuation range—our pipeline of investment ideas is growing again.

Small Cap Value Equity Performance—*Through September 30, 2022*

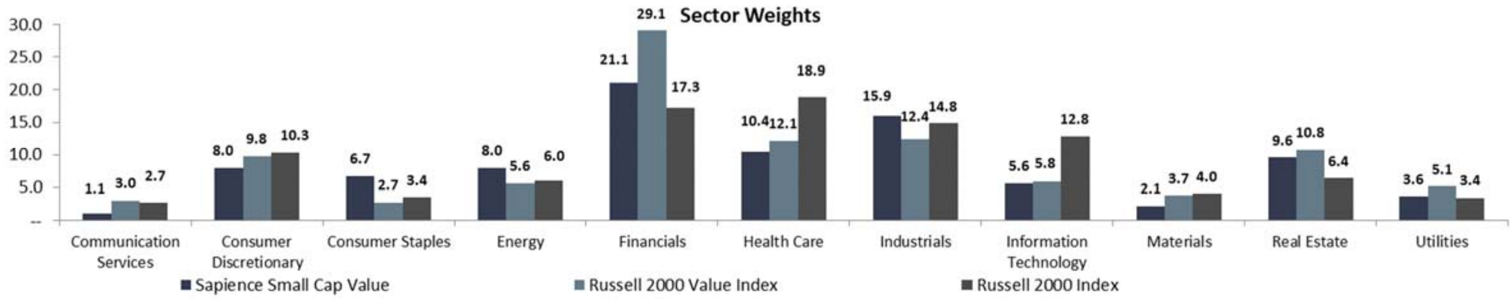
	Quarter	Year to Date	1 Year	3 Years	5 Years
Sapience SCV Equity Composite (Gross)	-4.4%	-18.0%	-13.5%	5.9%	2.8%
Sapience SCV Equity Composite (Net)	-4.6%	-18.3%	-14.1%	5.3%	2.2%
Russell 2000 Value Index	-4.6%	-21.1%	-17.7%	4.7%	2.9%
Russell 2000 Index	-2.2%	-25.1%	-23.5%	4.3%	3.6%

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, 2022*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	22.7%
Active Share [2] (relative to the Russell 2000 Value Index)	95.5%
Tracking Error [3]	6.2
Number of Buys[4]	0
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

<u>Small Cap Value Equity</u>

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

Top and Bottom Contributors
Third Quarter 2022

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Comstock Resources, Inc.	Syneos Health, Inc.
ATI, Inc.	Argo Group International Holdings, Ltd.
Samsonite International S.A.	Six Flags Entertainment Corp.
New Relic, Inc.	Integra LifeSciences Holdings Corp.
Hanger, Inc.	Healthcare Realty Trust Inc.

Comstock Resources, Inc.
Comstock Resources, Inc. benefitted from the continued resurgence of natural gas as a commodity. This resurgence is primarily a result of the fallout from Europe's long-term reliance on Russia for its natural gas needs. The U.S. is a low-cost producer of natural gas and can provide it globally to other countries through liquefied natural gas (LNG). Comstock is located in the Haynesville shale in North Louisiana and East Texas, which provides easy access to the Gulf Coast—a benefit over its Appalachian-located peers with takeaway (pipeline) constraints. In addition, Comstock is reducing its leverage and is expected to initiate a capital return program in the near future. We believe valuation remains attractive.

ATI, Inc.
ATI, Inc.'s stock price generated positive returns during the third quarter as the company posted strong second quarter results that were well ahead of expectations. In addition, the company increased its free cash flow guidance for 2022. ATI is exiting its commodity steel business and is becoming a pure-play Aerospace & Defense business, which should help it garner a higher multiple.

Samsonite International S.A.
Samsonite International S.A.'s stock appreciated during the third quarter as the company delivered 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 profitability and increased annual guidance. The company expects sales to continue improving going forward as international travel restrictions ease in most of its global markets. While sales are currently below their 2019 level, the company's gross margin is tracking above 2019 and operating margins have improved over the last two years. This is a direct result of cost cutting initiatives as well as price increases the company implemented. We believe that Samsonite remains well positioned as travel recovers over the next 1-2 years.

New Relic, Inc.
New Relic, Inc. has successfully transitioned to a consumption model from its previous subscription model. This company is one of the leading observability vendors and has leading share in niche applications such as Application Performance Monitoring (APM). We believe New Relic is trading at a more discounted valuation than its peers and, moreover, is viewed as a vendor that can potentially be consolidated by a larger peer or by private equity.

Hanger, Inc.
In July, Hanger, Inc. agreed to be acquired by private equity firm Patient Care Capital at an enterprise value of $1.25 billion. Hanger is a unique franchise as the leading provider of orthotic and prosthetic (O&P) services in the U.S. The company employs approximately 20% of all O&P clinicians in the U.S. The pandemic created volume and staffing challenges for the company's clinics, but management did well to overcome those challenges. As a private entity the company will likely continue making investments to improve the efficiency of its operations as well as pursue bolt-on acquisitions.

Syneos Health, Inc.
Syneos Health, Inc. reported soft bookings in its core clinical business for the second quarter and provided an update in mid-September that clinical bookings will remain soft in the third quarter. The company's clinical customer mix is about 50% small- and mid-sized (SMID) customers and the company is under-indexed with large pharmaceutical customers. Biotech funding has been a concern this year as funding has declined from prior year levels. With less funding, small- and mid-sized biopharmaceutical customers have been more cautious with spending their capital, leading to delayed decision making and perhaps some rationalization of priorities. These issues have also been highlighted by Syneos' peers. Softer bookings this year will impact revenue growth prospects in 2023 and this has pressured the company's shares. While the near-term macro environment is less favorable to contract research organizations (CROs) like Syneos, we believe CROs will remain important participants in the development of pharmaceutical products and provide an attractive area for investment.

Argo Group International Holdings, Ltd.
Argo Group International Holdings, Ltd. reported a disappointing quarter that missed the consensus EPS estimate on lower investment income from alternative investment sources. Operating results were mixed with better net earned premiums from ongoing businesses and a lower expense ratio. Still, the loss ratio expectantly jumped as the company reported another net adverse prior year development. In addition, the company entered a loss portfolio transfer agreement with an insurance workout firm that crystallizes Argo's exposure to poorly underwritten policies completed in the past decade. In short, the company's strategic franchise transformation over the past year has yielded only limited results. More importantly, it was revealed that Argo's attempt to sell itself via a "strategic alternative review," which began in late April, has drawn little interest. Since the company is not performing according to our investment thesis, we exited the position.

Six Flags Entertainment Corp.
Six Flags Entertainment Corp.'s stock price declined during the quarter, as the company's results were well below expectations due to lower attendance levels. The weakness in attendance was primarily due to the new premium pricing strategy that is being implemented by its new CEO, Selim Bassoul. There is uncertainty over the near-term results caused by the price/volume trade off as Mr. Bassoul is increasing ticket prices and culling unprofitable customers. We believe that the selloff is overdone as amusement parks are attractive businesses with barriers to entry and generate strong free cash flow.

Integra LifeSciences Holdings Corp.
Integra LifeSciences Holdings Corp. executed well in the second quarter with growth and margin results generally exceeding expectations. Supply chain disruptions and foreign currency, however, did impact results. A more challenging macro environment is also likely to limit further improvement in organic revenue growth, which is a key area of focus. During the third quarter, the company also announced a voluntary recall of its CereLink ICP monitors. Although the recall should be manageable from a financial impact perspective, CereLink was an important contributor to future organic growth, which will put a further dent in near-term organic growth prospects.

Healthcare Realty Trust Inc.
Healthcare Realty Trust Inc. completed its merger with Healthcare Trust of America in July. Despite solid operational results and progress on asset sales to fund a special deal-related dividend, Healthcare Realty's shares declined during the quarter because the jump in interest rates presents a significant headwind to investors' expectations for 2023 funds available for distribution (FAD) accretion. However, even with substantial macroeconomic uncertainty, lenders remain active in the medical office building (MOB) space, which means that the expected $500 million to $1 billion in asset disposals should occur in coming quarters. Healthcare Realty ought to be able both to recycle those proceeds into acquisitions and fund a $500 million share buyback program. The synergy potential from the Healthcare Trust merger also remains intact. Against a highly depressed valuation, the combined Healthcare Realty-Healthcare Trust entity will be able to expand its acquisition opportunity pipeline, achieve higher occupancy levels, and post improved NOI margins over the medium term.

SMID Cap Value Equity Performance—*Through September 30, 2022*

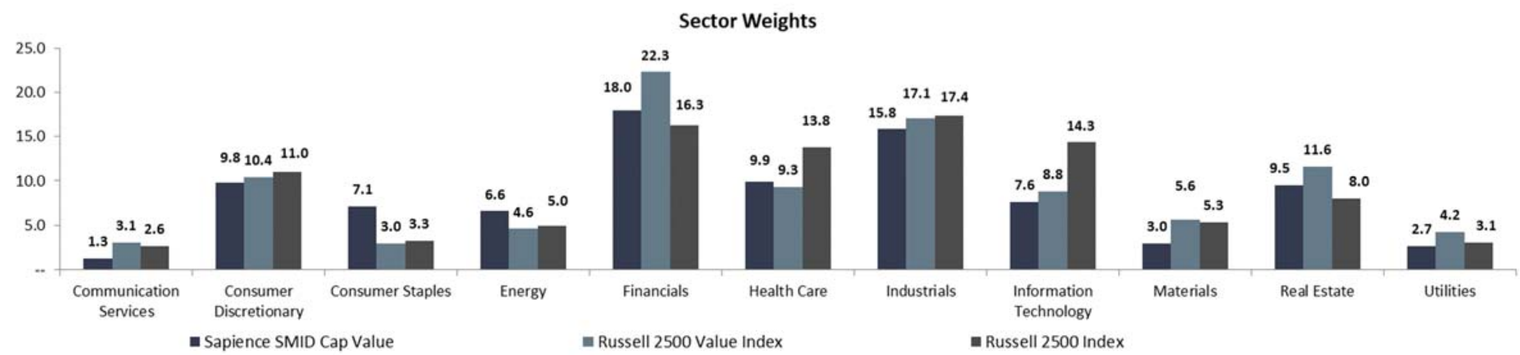
	Quarter	Year to Date	1 Year	3 Years	5 Years
Sapience SMID Cap Value Equity Composite (Gross)	-3.8%	-15.9%	-11.1%	4.6%	2.7%
Sapience SMID Cap Value Equity Composite (Net)	-4.0%	-16.4%	-11.7%	3.9%	2.0%
Russell 2500 Value Index	-4.5%	-20.4%	-15.4%	4.5%	3.8%
Russell 2500 Index	-2.8%	-24.0%	-21.1%	5.4%	5.5%

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

SMID Cap Value Equity Characteristics and Sector Weights—*As of September 30, 2022*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	26.6%
Active Share [2] (relative to the Russell 2500 Value Index)	95.5%
Tracking Error [3]	5.9
Number of Buys[4]	3
Number of Sells[4]	3

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



Sources: Russell Investments, FactSet.

SMID Cap Value Equity

Detailed below is our discussion of overall top and bottom contributors during the third quarter. Samsonite International S.A., ATI, Inc., New Relic, Inc., Syneos Health, Inc., Six Flags Entertainment Corp., and Integra LifeSciences Holdings Corp. are also owned in our Small Cap Value strategy, and these companies were discussed in the Small Cap Value Equity commentary section above.

Top and Bottom Contributors
Third Quarter 2022

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
EQT Corp.	Syneos Health, Inc.
Regal Rexnord Corp.	Elanco Animal Health Inc.
Samsonite International S.A. ADR	Six Flags Entertainment Corp.
ATI, Inc.	Integra LifeSciences Holdings Corp.
New Relic, Inc.	Hasbro, Inc.

EQT Corp.

EQT Corp. benefitted from the continued resurgence of natural gas as a commodity. This resurgence is primarily a result of the fallout from Europe's long-term reliance on Russia for its natural gas needs. The U.S. is a low-cost producer of natural gas and can provide it globally to other countries through LNG. EQT is one of the largest natural gas producers in the U.S. and is actively working on solutions to supply LNG to Europe and globally through the East and Gulf Coasts. The company has reduced its leverage and is now qualified as a responsible natural gas producer, which benefits its LNG credentials. EQT also did a tuck-in acquisition this quarter at extremely accretive valuation in terms of FCF/share and is favored by small producers as a consolidator of choice. Finally, EQT is in process of incorporating a favorable capital return program and we believe that valuation remains attractive.

Regal Rexnord Corp.

Regal Rexnord Corp.'s valuation declined in the first half of the year despite generating good results. The company's stock began to recover at the start of the quarter from what we believe was a highly depressed level. Second quarter results were once again positive with 12% organic sales growth and continued margin expansion, which was a key part of our thesis. The company raised guidance for the second time this year and has made good progress integrating the Rexnord business, with cost synergies running ahead of plan. Net leverage was lowered to 1.5x at the end of the second quarter, providing the company with a strong balance sheet. During the quarter, the company also introduced financial targets for 2025, which include an additional 400 basis points of EBITDA margin gains by 2025. Management exceeded its prior three-year margin expansion goals as it executes its strategic plan to invest in profitable growth opportunities. Regal Rexnord has made significant improvement to its operations under new leadership and will likely continue making further improvements, which we believe are still not fully recognized by the market.

Elanco Animal Health Inc.

Elanco Animal Health Inc. faced a more challenging market environment that pressured results and led to a reduction to guidance. Earnings are expected to see greater pressure from foreign exchange, supply challenges, and a softer global macro environment. The company also saw increased competitive pressures in its parasiticide business and a slower sales ramp from new products. In addition to lowering guidance, the company had to back away from its previous target of achieving a 31% EBITDA margin by 2024, with a new time frame likely to be provided in the near future. The companion animal sector also experienced meaningful multiple contraction as trends that benefited the sector during the pandemic began to normalize. Elanco is a company undergoing a meaningful transformation after its separation from Eli Lilly. While recent results have been disappointing, the company has been making progress on its initiatives including reinvigorating its R&D pipeline. The company announced plans to introduce two new pet health products within the next few months, both with blockbuster potential. We also expect free cash flow generation to improve starting in 2023 as spending on infrastructure investments and integration initiatives begins to subside.

Hasbro, Inc.

Hasbro Inc.'s stock price declined during the period as the company's second quarter results were mixed. Sales were slightly below expectations due to weakness in Wizards and digital gaming, while the earnings were ahead of expectations. We believe that the selloff due to these issues as well as fears over a slowing economy are overdone for a business that has consistently delivered strong results. In addition, toys and gaming generally perform relatively well in a slower economy.

<u>Outlook</u>

"I didn't get rich by buying stocks at a high price-earnings multiple in the midst of crazy speculative booms, and I'm not going to change." -Charlie Munger

Investors who have grown up investing in the last decade have generally remained bullish on growth stocks this year. The bounce in mid-June for a two month period reignited hope following the selloff in the preceding five months, when doubt had started to creep in. It's understandable given they have only seen these stocks outperform—of course you buy the dips. The housing market is facing a similar conundrum. While mortgage rates have more than doubled, brokers and pundits are professing that this time is different—tight supply means housing prices won't decline and even in a worst-case scenario, prices might just be flat for a couple of years. Needless to say, we remain skeptical of this viewpoint. The common underlying belief underpinning both these asset classes has been that the Fed won't be able to keep rates above 2-2.5% for any reasonable length of time. We believe this credence has come under question in the last few weeks.

Directionally, earnings weakness is not much of a debate at this juncture—the key questions are of severity, timing, and duration of the weakness. We have witnessed a few large misses and preannouncements recently (Carmax, AMD, FedEx). This earnings season should be action packed and could create many dislocations. Bear markets afford us a significant opportunity to invest in high-quality businesses at attractive and, in certain instances, depressed valuations.

The late Vanguard Group founder John Bogle recognized the tautology that equity returns are a function of either the fundamental return (dividends and earnings) or the speculative return (the multiple that investors are willing to pay for fundamentals). During the long period of growth's outperformance until this year, the speculative expansion of multiples in growth stocks dominated the multiple compression of value stocks. As we noted at the time, the wide dispersion of returns between growth and value stocks was not wholly justified by disparate fundamentals; instead, the speculative piece accounted for much of this differential. In a recent research note, GMO argues that there is no clear link between value versus growth outperformance to yields. Additionally, they note that contrary to popular belief, there has been a slight tendency for value to outperform in economic downturns. We are sympathetic to these viewpoints and believe that going forward stock selection with an eye towards quality and fundamentals along with a valuation discipline should be favored.

Nearly a year ago, we published *"A Momentous Shift*" arguing for an upcoming regime shift in the markets. In this paper we wrote: "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 have actually begun to 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. We believe many mistakes are being made based on investors' desire to expand exposure to growth/quality—while these attributes are desirable in any business, it doesn't protect against downside risks when you have overpaid. The environment is shifting but these investors and their allocators are caught in a cognitive trap of rear-view framing." While we were not looking to call a turn in the markets, in hindsight, this paper was well timed.

Disclosures

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

Composite and benchmark returns reflect the reinvestment of income. The volatility of the Composite may be different than its respective benchmarks. Composite returns are presented gross and net of actual investment advisory fees. You cannot invest directly in an index, which also does not take into account trading commissions and costs, see below for a description of benchmark indexes. Performance is expressed in U.S. dollars. Gross returns will be reduced by fees and other expenses that may be incurred in the management of the account. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Dividends are recorded gross of withholding taxes.

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[1] Portfolio Ending Active Share: Measures the degree of active management by a portfolio manager.
$AS_f = | PW_f - BW_f | / 2$ where AS_f := Portfolio Ending Active Share; PW_f := Portfolio Ending Weight; and BW_f := Benchmark Ending Weight [2] Tracking Error: Measures how closely a portfolio follows the index it is benchmarked against. An index fund which closely tracks its benchmark will have a tracking error close to zero, while an actively managed portfolio will have a higher tracking error. Tracking Error is calculated as the root-mean-square of the difference between the portfolio and benchmark returns: $TE = \omega = \surd(E[(rp - rb)2])$ where $rp - rb$ = the active return (i.e., the difference between the portfolio return and the benchmark return). This formula simplifies to: $TE = \omega = \surd(\sigma p2 + \sigma b2 - 2\beta\sigma b2)$ where $\sigma p2$ = portfolio variance; $\sigma b2$ = benchmark variance; and ß = Historical beta

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 2000 of the smallest securities base. The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower expected growth values. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 Index companies with lower price-to-book ratios and lower expected growth values. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2500 Growth Index is designed to measure the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index.

Sapience Investments, LLC
Small Cap Value Equity Composite

As of December 31									
Year	Gross Returns (%)	Net Returns (%)	Russell 2000® Value Index (%)	Internal Dispersion (%)	Composite Gross 3Y Std Dev (%)	Index 3Y Std Dev (%)	# of Accounts	Composite Assets (000s)	Firm Assets (000s)
*2016	14.91	14.87	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
2021	28.37	27.59	28.27	0.18	31.83	25.35	11	$870.84	$914.19

*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, 2021. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The Small Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small capitalization companies with durable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a two-to four-year investment horizon. The composite was created and incepted October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of 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 (%)	Non-Fee Paying (% of assets)	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	N/A	1	$22.50	$349.83
2017	1.31	0.74	10.36	N/A	N/A	N/A	N/A	8	$106.06	$771.66
2018	-17.44	-17.94	-12.36	N/A	0.25	N/A	N/A	10	$134.36	$647.68
2019	28.19	27.48	23.56	N/A	0.09	17.46	14.43	8	$163.26	$773.40
2020	1.98	1.42	4.88	N/A	N/A	29.67	25.40	2	$43.86	$760.25
2021	25.01	24.19	27.78	0.57%	N/A	28.04	24.49	2	$43.06	$914.19

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3. The SMID Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small- to mid-capitalization companies with durable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a three-to five-year investment horizon. The composite was created and incepted October 2016. The firm's list of composite descriptions is available upon request.
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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 through June 1, 2021, portfolios were removed from the composite if they had a contribution or withdrawal at 50% or greater of the beginning market value of the portfolio. The portfolio was removed from the composite for the month in which the significant cash flow occurred and the following month.
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