SAPIENCE INVESTMENTS

Portfolio Review
Second Quarter 2024

Market Review: Steady as She Goes

"The stock market is a device for transferring money from the impatient to the patient." ~Warren Buffett

Changing views on the possibility and magnitude of a Federal Reserve interest rate drop has not kept investors from pushing large-cap equity market indices to new highs. On the one hand, above-target inflation, a resilient economy, and a still strong, if moderating, labor market argue against the need for easing monetary policy, especially if these conditions are expected to continue for the balance of the year. On the other hand, while durable in the face of higher interest rates, economic momentum has slowed to trend growth; also, after a period of seasonally high values, inflationary indicators have again begun to point towards disinflation and real interest rates are at a traditionally restrictive monetary level.

While Fed officials are in an avowedly data-dependent mode, investors have had good reasons to look past the monthly dose of economic news. First, as Chair Powell stated, economic momentum is sound. Headline Real GDP grew 1.4% in the first quarter, buoyed by a robust 5.6% increase in final sales to private domestic purchasers. As of early July, the latest GDP estimate on the just finished quarter from the FRB Atlanta is a healthy 1.5% GDP growth. Household spending in the first half of the year has been boosted by the robust income growth generated by the average 222 k/month non-farm payroll growth. Underlying this activity has been an acceleration in fixed investment to a 7.0% growth rate in the first quarter, fueled by new factories, infrastructure, defense, emerging technologies, energy transition, and other related spending in both the public and private sectors. Second, buoyant asset markets have eased financial conditions, creating a powerful wealth effect as stock and home values have appreciated. Since the November 2023 FOMC meeting six months ago, when Chair Powell signaled a pause in the rate hike cycle, wealth has increased by over $16 trillion due to the appreciation of U.S. stocks and bonds. Spending of even a small fraction of these gains (admittedly among more affluent households), could support continued near-trend economic growth. Finally, investors expect this outlook to support robust company earnings growth. According to the street consensus reported by Bloomberg, investors predict that S&P 500 earnings will rise by 10.6% in 2024 and 13.2% in 2025. Equities will likely remain appealing until something undermines this forecast.

Risks remain in the outlook. First, the path to the Fed's 2.0% inflation target may be neither smooth nor linear. Indeed, disinflationary trends plateaued in the first quarter but resumed in second, leading Fed officials to advance the narrative that despite "quite a bit of progress. We want to be more confident that inflation is moving sustainably toward 2% before we start the process of reducing or loosening policy." (Chair Powell, July 2nd) Second, trends in U.S. fiscal policy bear watching. CBO projections for the federal budget deficit in fiscal year 2024 amount to $2.0 trillion or 7% of GDP. Deficits cannot grow faster than nominal national income for long without eventually prompting a painful reckoning. Whatever the outcome of the November election, policymakers must undertake fiscal reform to return government spending to a sustainable path. With 10-year U.S. Treasury yields at 4.28%, hovering midway between the 3.81% to 4.73% yield range this year, bond investors have taken a sanguine view of both issues. It would undoubtedly interrupt the prevailing positive equity market outlook if that were to change.

Russell Index Returns—*As of June 30, 2024*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	-3.3	1.7	10.1	-2.6	6.9	7.0
Russell 2000 Value Index	-3.6	-0.9	10.9	-0.5	7.1	6.2
Russell 2000 Growth Index	-2.9	4.4	9.1	-4.9	6.2	7.4
Russell 2500 Index	-4.3	2.4	10.5	-0.3	8.3	8.0
Russell 2500 Value Index	-4.3	1.5	11.2	2.2	8.0	6.8
Russell 2500 Growth Index	-4.2	3.9	9.0	-4.1	7.6	8.8
Russell Mid Cap Index	-3.4	5.0	12.9	2.4	9.5	9.0
Russell 1000 Index	3.6	14.2	23.9	8.7	14.6	12.5

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 as well as the Large Cap Indices. Large cap stocks (the S&P 500) gained +4.3% while small cap stocks (the Russell 2000) declined 3.3%. With regards to style, in a continuation of last quarter's lead, growth maintained its edge over value across all market cap ranges. For the trailing 12 months, growth continued its lead in the mid- and large-cap space, however, in small caps, value seized the lead from growth. In the small-cap arena, value's outperformance was 1.8%. On a 3-year basis, small value is far outpacing small growth—by more than 430 bps (Russell 2000 Value -0.5% vs. Russell 2000 Growth -4.9%) and is slightly ahead on a 5-year basis.

Sector results were predominantly negative across the broad and value Russell 2000 and 2500 Indexes during the period. More specifically, laggards for the broad and value Russell 2000 and 2500 Indexes during the period were Health Care (declining between -4.6% to -10.5%), Consumer Discretionary (between -6.1% to -8.7%), Industrials, which after the strong performance in the first quarter, reversed course and declined between -4.3% to -6.7%, and Materials (between -3.9% and -6.5%). Within the Russell 2000 Index, Consumer Staples posted positive returns (+2.3%); however, the same sector generated negative returns in the other Indexes (declining between -1.4% and -4.6%). While the Russell 2000 Value Index generated negative returns across all 11 sectors, in the broad Russell 2000 and the broad and value 2500 Indexes, Utilities returned positive results, coming in between +0.1% and +6.2%.

In the last one year, returns for the small-cap stocks have been respectable at 10.1%, however, still lagging the Russell 1000 Large Cap Index by 13.8%. Returns for the last three years have been anomalous for small caps relative to large caps—the Russell 2000 Value Index delivered -0.5% and the Russell 2000 Index -2.6% for the three-years ended June 30, 2024 (annualized) versus +8.7% for the Russell 1000 Index. Going by history, small caps have emerged from long periods of similar low performance to periods with strong above-average returns. We could be approaching such a tipping point.

Performance Impact

During the second quarter, both our strategies delivered better performance than their respective benchmarks, albeit still generating negative absolute returns. Our Small Cap Value strategy returned -0.9% gross (-1.1% net) and our SMID Cap Value strategy returned –3.8% gross (-3.9% net). On a relative basis, our Small and SMID Cap Value strategies outperformed our benchmarks (the Russell 2000 Value Index and the Russell 2500 Value Index, respectively) for the quarter by +2.7% in Small Cap and +0.6% in SMID.

In reviewing our Small Cap Value portfolio's second quarter attribution, we outperformed in 9 of the 11 sectors and the relative outperformance was all stock selection. More specifically, security selection in Consumer Staples, Technology, Communication Services, Energy, and Real Estate added value. Vital Farms, Inc. was the top contributor in Consumer Staples, while BigCommerce Holdings, Inc. added the most value in Technology as the company delivered better than expected revenue growth. Our sole position in Communications Services, Liberty Latin America Ltd. soundly outperformed its sector, while Comstock Resources, Inc. added value in Energy as the company delivered better than expected earnings in a weak natural gas market. Healthcare Realty Trust Inc. performed the best in Real Estate. Conversely, our stock selection in the Financials and Health Care sectors hindered performance in our Small Cap strategy with Webster Financial Corp. and Integra LifeSciences Holdings Corp. detracting value from their respective sectors. Webster Financial underperformed after management provided updated guidance following mixed results for the first quarter of 2024. The outlook for loan growth, net interest margins, and credit quality disappointed investors. With Webster's shares trading at >20% discount to peers, the bank should be able to deliver a peer-leading ROTE of 18+% with above-peer growth in fiscal year 2024 and beyond.

In our SMID Cap portfolio, the relative outperformance was also all stock selection. More specifically, security selection in Communication Services and Industrials with Liberty Latin America and Kirby Corp. adding the most value to their respective sectors. Meanwhile, on the negative side, stock selection in the Financials sector partially detracted value with Corpay Inc. and Webster Financial performing the worst. One-off factors and macro/FX issues led to Corpay missing first quarter profit guidance and slightly lowering fiscal year 2024 estimates. In response, management took swift measures to control expenses. Later in the quarter, Corpay bought GPS Capital Markets, a cross-border payments company, which should help boost the company's revenue and profitability in fiscal year 2024 and 2025.

Looking at the first half of 2024 and the trailing one year ended June 30th, both our strategies delivered strong relative and absolute returns. For the trailing one year period, this outperformance was fully driven by stock selection as sector allocation was negative in both strategies (a byproduct of our bottom-up stock selection process). During the period, our Small Cap Value strategy returned +15.0% gross (+13.8% net) and our SMID Cap Value strategy returned +13.6% gross (+12.5% net). On a relative basis, our Small and SMID Cap Value strategies outperformed our benchmarks (the Russell 2000 Value Index and the Russell 2500 Value Index, respectively) for the trailing one year by +4.1% in Small Cap and +2.4% in SMID. In Small-Cap, Technology, Consumer Staples, and Consumer Discretionary enhanced both absolute and relative performance. Meanwhile, security selection in the Health Care sector hindered performance in the strategy. Within the SMID strategy, Technology, Energy, and Health Care added the most value while stock selection in Utilities and Consumer Staples partially offset relative returns.

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

Portfolio Strategy and Key Exposures

In the first quarter, the euphoria around rate cuts subsided, investors became more realistic and are now pricing in 1-2 cuts by the FOMC beginning in the third or fourth quarter. While the economy has held up better than expectations, we have been witnessing a softening of economic data the last two months. However, the AI infrastructure spending remains robust. For the first half of 2024, small caps are lagging large caps meaningfully. As we wrote last quarter, while we think small/SMID stocks should perform better in 2024, we have much higher conviction that the current dislocation in high-quality stocks within the small-cap/SMID universe offers an uncommon opportunity.

Today within small/SMID caps, there are several high-quality stocks that we believe are very cheap. This is an unusual set up because historically deep value stocks are deservedly cheap: more cyclical, highly leveraged, and generally low-quality businesses. Typically, at the bottom of a cycle, the cheapest companies are cheap for good reasons as was the case at the end of 2008. While today we don't know exactly where we are in the economic cycle, it doesn't seem to us that we are at the bottom.

In the last one year, we have been able to generate stronger absolute and relative returns due to our fundamentals-based stock selection. We took advantage of a few dislocations and invested in undervalued growth businesses when they were out of favor (and valuation was very attractive) like Vital Farms within Consumer Staples. In Technology, we have invested in businesses that we believe stand to benefit from the AI buildout, e.g. Lumentum Holdings Inc. and Coherent Corp. Our value-oriented investment process involves selecting companies that we believe are trading below their private market value. As recent examples: the acquisition of Stericycle, Inc. at a decent premium by Waste Management and the well-received merger of Six Flags Entertainment Corp. with Cedar Fair are validation of our underlying thesis for both investments.

Small Cap Value Equity Performance—*Through June 30, 2024*

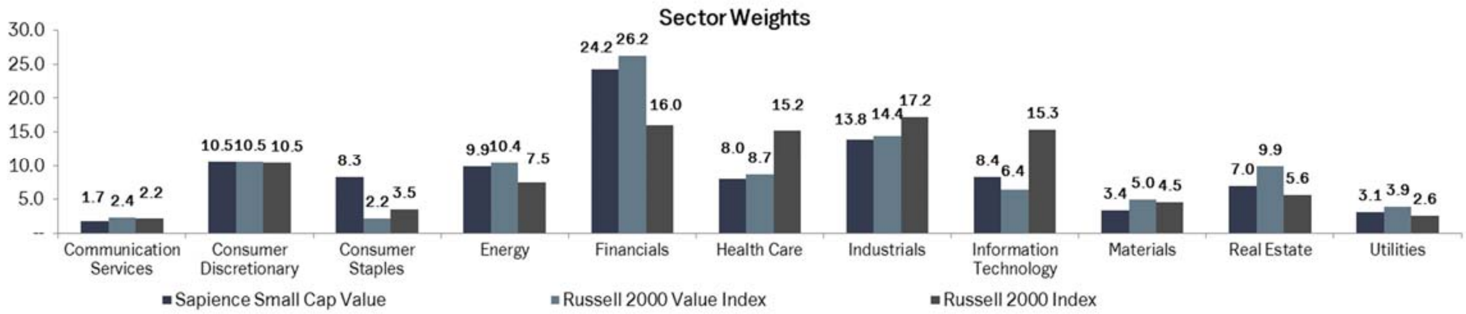
	Quarter	Year to Date	1 Year	3 Years	5 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	-0.9%	4.3%	15.0%	1.0%	8.3%	7.0%
Sapience SCV Equity Composite (Net)	-1.1%	3.8%	13.8%	0.0%	7.1%	5.9%
Russell 2000 Value Index	-3.6%	-0.9%	10.9%	-0.5%	7.1%	7.2%
Russell 2000 Index	-3.3%	1.7%	10.1%	-2.6%	6.9%	8.0%

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, 2024*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	22.3%
Active Share [2] (relative to the Russell 2000 Value Index)	95.3%
Tracking Error [3]	4.9
Number of Buys[4]	3
Numbers 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

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 2024

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Vital Farms, Inc.	National Vision Holdings, Inc.
Six Flags Entertainment Corp.	Samsonite International S.A.
Kirby Corp.	Lincoln Electric Holdings, Inc.
Liberty Latin America Ltd.	Integra LifeSciences Holdings Corp.
Healthcare Realty Trust Inc.	Arcos Dorados Holdings Inc.

Vital Farms, Inc.
Vital Farms, Inc., a leading company in the pasture-raised eggs category, significantly outperformed during the quarter as the company posted exceptionally strong first quarter results with +24% sales growth, 400 bps improvement in gross margin, and EBITDA that almost doubled from the prior year. Further, management raised 2024 guidance across the board, with sales growth +22% and EBITDA increasing +45%. The company has solid growth momentum due to increased distribution and announced plans for its new egg washing and packaging facility.

Six Flags Entertainment Corp.
Six Flag Entertainment Corp.'s stock price outperformed during the last two months of the quarter as the impending merger with Cedar Fair was set to close (closed on July 1st). The merger has been well received due to the attractive cost and revenue synergies for the combined business. The company delivered mixed first quarter results with revenue slightly below estimates while attendance was ahead of estimates. In addition, season pass sales were also tracking ahead of estimates during the quarter.

Kirby Corp.
Kirby Corp. continues to benefit from a shortage of barges that is driving a multi-year improvement in pricing for barge services. With both spot and term contract prices up double digits, the company has been able to renegotiate improved rates that are driving margin expansion. Kirby's marine transportation revenues improved 15% in the first quarter and inland marine operating margin improved to the high-teens. Additionally, the coastal marine business, which has been depressed for several years, is now beginning to show similar signs of improvement as the inland marine business, providing an additional driver of earnings improvement. As a result, the transportation segment improved operating margin by 710 basis points in the first quarter and the company provided an improved outlook for full year margin expectations. With current spot prices still not supportive of new barge construction investments, we believe Kirby has ample room to drive further margin and earnings improvement.

Liberty Latin America Ltd.
Liberty Latin America Ltd. shares outperformed during the quarter as the company reported an inline first quarter and successfully completed the migration of AT&T's wireless tech stack. Post the AT&T conversion, Puerto Rico EBITDA is expected to improve meaningfully as payments to AT&T end and conversion related expenses decline going forward. In addition, the company accelerated their share repurchases in the first quarter.

Healthcare Realty Trust Inc.

Healthcare Realty Trust Inc.'s shares rose in the second quarter after reporting a modest earnings beat, essentially erasing a challenging first quarter performance. Following an unexpectedly difficult period integrating the company's 2023 acquisition of Healthcare Trust of America, operating fundamentals have begun to improve with solid leasing performance, greater tenant retention, and higher leasing spreads. Importantly, management reaffirmed its fiscal year 2024 guidance. The company also announced a joint venture with KKR where Healthcare Realty will contribute a seed portfolio of 12 properties at a $382 million value and a 6.6% cap rate, highlighting the highly undervalued nature of medical office building (MOB) assets in public markets. These dispositions and an announced additional $300 million in asset sales outside the agreement will fund the Board's ambitious $500 million share buyback program. Healthcare Realty operates an attractive portfolio of MOB assets with unrecognized growth potential. While Healthcare Realty's leverage is comparable to peers, the company stands to benefit from a falling interest rate environment.

National Vision Holdings, Inc.

After reporting better-than-expected revenues and earnings for the first quarter, National Vision Holdings, Inc.'s stock price underperformed in the second quarter due to deceleration in comps in the period due to their exposure to lower income consumers. The company is benefiting from an improvement in the managed care business along with expanding exam capacity. National Vision expects to achieve a fuller margin recovery by 2025.

Samsonite International S.A.

Samsonite International S.A's stock underperformed during the period as the company posted a mixed quarter. Revenue grew 4.1% in constant currency versus an expectation of 5%, however, the margins were better than expected. Management lowered annual revenue growth guidance from high-single digits (HSD) - low-double digits to HSD. The company is exploring a secondary listing in the U.S. or Europe, reinitiated a healthy dividend, and announced a $200 million share buyback program.

Lincoln Electric Holdings, Inc.

In late May, Lincoln Electric Holdings, Inc. updated full year guidance reflecting a decline in organic growth compared to its prior outlook for modest organic growth. The revised guidance, which came approximately one month after the company reported its first quarter results, sparked a broad sell off in Industrial stocks, particularly those with short-cycle exposure. Lincoln was experiencing slowing demand trends through the second quarter on weakening industrial activity and capital investments by customers. The updated guidance resulted in a meaningful decline in Lincoln's stock price. We are awaiting further details when Lincoln reports its second quarter results. While the new outlook is disappointing, we believe the issues are entirely cyclical and Lincoln remains a strong franchise.

Integra LifeSciences Holdings Corp.

Integra LifeSciences Holdings Corp. has been tackling several internal issues and during the quarter new items were added to the list. In February, the company announced that its CEO would be retiring after the appointment of a successor. Integra's CEO had been in his position for a short period, joining in late 2021. With several issues that need resolution, a change in management was unwelcomed news. Along with first quarter earnings results, the company also provided an unfavorable update regarding its Boston facility remediation efforts. An audit completed by a third party revealed more findings than expected, resulting in further delays to bring Boston production back online. The company was unable to provide details on a revised timeline, although a return to the market in 2024 is now highly unlikely. While the Boston update was frustrating, we believe that the earnings outlook was derisked as any revenue and earnings contribution from the Boston facility is now removed from 2024 expectations. With Integra's stock trading at a meaningful discount to peers, we believe that a couple quarters of modest improvement are needed to provide relief to its share price.

Arcos Dorados Holdings Inc.

Arco Dorados Holdings Inc., the franchisee for McDonald's in Latin America, posted another quarter of strong results, led by Brazil comps growing +9.4%. Despite strong results, the company's stock underperformed during the quarter due to uncertainty related to the terms of the Master Franchise Agreement's (MFA) upcoming renewal with McDonald's as well as currency remaining a drag on otherwise strong operational results.

SMID Cap Value Equity Performance—*Through June 30, 2024*

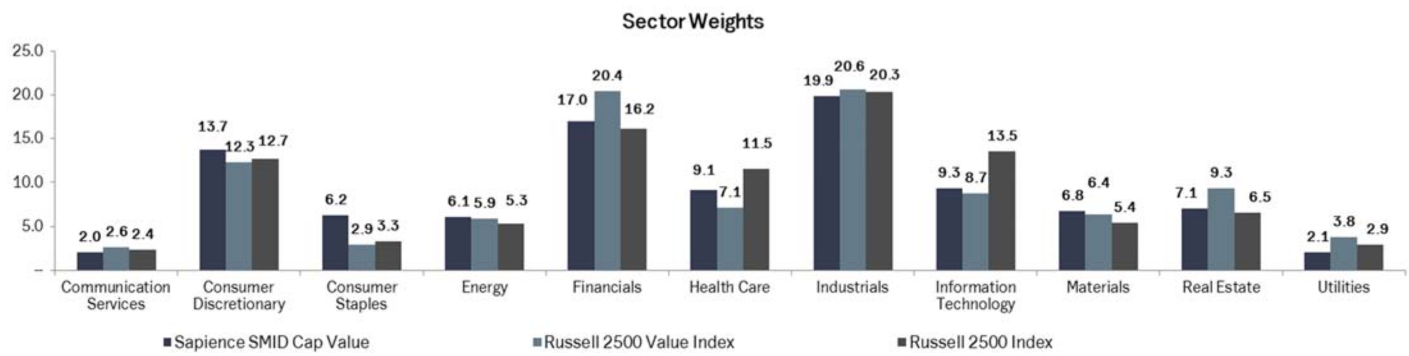
	Quarter	Year to Date	1 Year	3 Years	5 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-3.8%	3.5%	13.6%	1.2%	7.3%	5.6%
Sapience SMID Cap Value Equity Composite (Net)	-3.9%	3.1%	12.5%	0.2%	6.2%	4.6%
Russell 2500 Value Index	-4.3%	1.5%	11.2%	2.1%	8.0%	7.8%
Russell 2500 Index	-4.3%	2.4%	10.5%	-0.3%	8.3%	9.2%

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

SMID Cap Value Equity Characteristics and Sector Weights—*As of June 30, 2024*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	24.2%
Active Share [2] (relative to the Russell 2500 Value Index)	94.1%
Tracking Error [3]	3.9
Number of Buys[4]	7
Number of Sells[4]	5

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



Sources: Russell Investments, FactSet.

SMID Cap Value Equity

Detailed below is our discussion of overall top and bottom contributors during the second quarter. Vital Farms, Inc., Six Flags Entertainment Corp., Kirby Corp., Liberty Latin America Ltd., Healthcare Realty Trust Inc., National Vision Holdings, Inc., and Lincoln Electric Holdings, Inc. are also owned in our Small Cap Value strategy, and these companies were discussed in the Small Cap Value Equity commentary section above.

Top and Bottom Contributors
Second Quarter 2024

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Six Flags Entertainment Corp.	National Vision Holdings, Inc.
Kirby Corp.	Regal Rexnord Corp.
Liberty Latin America Ltd.	Lincoln Electric Holdings, Inc
Coherent Corp.	Charles River Laboratories International, Inc.
Healthcare Realty Trust Inc.	LKQ Corp.

Coherent Corp.
Coherent Corp. is a leading manufacturer of optoelectronic components and engineered materials. The company also manufactures semiconductor lasers and optics for industrial lasers, datacenter connectivity, and 3D sensing. The

company's stock price outperformed for two reasons during the second quarter despite posting mixed results. First, was the strength in 800G transceivers for AI datacenter demand in the March 2024 quarter. Specifically, 800G revenue increased by almost 80% quarter-over-quarter to nearly $200 million, and is on track to exceed $250 million in the fiscal fourth quarter of 2024. Management anticipates an AI-driven 60% CAGR in the market for 800Gbps transceivers during the next five years. Second, was the hiring of Jim Anderson as the new CEO. Mr. Anderson was previously the CEO at Lattice Semiconductor, where he drove a major turnaround with significant growth and margin expansion.

Regal Rexnord Corp.
The broad sell off in Industrials that began with Lincoln Electric's guidance update in May drove weakness in Regal Rexnord Corp., which has both short-cycle exposure and higher than optimal leverage. While we expect some impact to second quarter financial results from softening industrial activity, our investment in Regal Rexnord is anchored in the company's free cash flow potential. We believe the impact of a softer macro on 2024 free cash flows will be more moderate, if any, and continue to believe current valuation is highly discounting the company's medium-term free cash flow potential. Additionally, by year end the company should have a meaningfully improved leverage ratio, which will help lower the perceived risk of the company and allow management to pursue additional value enhancing opportunities with a more balanced capital allocation strategy.

Charles River Laboratories International, Inc.
Charles River Laboratories International, Inc. reported a good first quarter, driven by its Manufacturing and RMS segments. The company maintained its 2024 guidance despite a softer than expected first quarter in the DSA segment as pricing for preclinical testing continues to moderate and cancellations remain elevated. The DSA segment is currently the primary area of investor focus. Achieving full year guidance will require a decent second half acceleration in earnings and there is concern the earnings ramp might be too steep unless the DSA segment turns around as biotech funding improves. Investor skepticism in the company's guidance along with continued uncertainty in the broader life sciences industry drove weakness in Charles River's shares.

LKQ Corp.
LKQ Corp. is the leading supplier of alternative automotive and recycled collision and mechanical replacement parts. The company's stock price underperformed during the second quarter as the company posted disappointing first quarter results. The weakness in revenue was mainly related to its Wholesale-North America segment as milder winter weather led to lower collisions volume during the first quarter. The company's management team maintained its 2024 EBITDA and free cash flow guidance while modestly reducing organic revenue growth by 1% as they believe the weather-related volume impact in the first quarter to be transitory.

Outlook

"If you spend your energies looking for and analyzing situations not closely followed by other informed investors, your chance of finding bargains greatly increases." ~Joel Greenblatt

A handful of the largest stocks are driving markets across the U.S. to record highs while most remaining stocks are struggling. The divergence between ascending indexes and declining stocks is flashing warning signals for breadth not seen since the dot-com bubble. Fundamentals will need to continue to support the U.S. mega caps multiples, many of which are underpinned by the AI theme.

Our view is that the recent economic moderation should not be steep, and that slower growth will have a greater impact on interest rates than recession risk over the next year. Credit spreads remain tight and near lows for the year. The market is not anticipating a recession, at least at the current time. For value and small caps to perform better, economic data and yields will need to stabilize. The sentiment today towards small-cap stocks is dismal and the valuations are depressed. We believe that barring an impending recession, the current small-cap valuation discount is not warranted, especially considering we could be within a few months of declining rates and moderating inflation.

Over the past 100 years in U.S. stocks, the value premium, defined as the annual difference in returns relative to accounting measures from buying stocks whose market prices are low versus stocks whose market prices are high, has averaged 4.4% per year when using book-to-market (P/BV) as the valuation metric. Between 1970 and 2007, the value premium was 7.1% per year. However, since the onset of the Great Financial Crisis (GFC) in 2007, growth stocks have outperformed value stocks by an annualized 9%. A common narrative to explain this shift is that the GFC kicked off an era of secular stagnation. In a regime with scarce cyclical growth and loose monetary policy, investors hid in the few companies that delivered secular earnings growth, driving these stocks to trade at ever higher premiums. Is the value premium dead, or can one refashion it for today's investment environment?

At Sapience, value investing has never been about using simple valuation metrics like P/BV to divine whether stocks are cheap, invest, and then wait for a recovery. Instead, in today's service-oriented, knowledge-based economy, a company's ability to sustainably generate free cash flow is critical. When buying a business, one must assess how much cash flow that company will produce and how much an investor is willing to pay for that cash flow stream, appropriately discounted for risk. In what is ordinarily an efficient market, inefficiencies often arise when investors focus on a small set of companies or overreact to short-term news while ignoring the long-term cash flow/earning power of many other attractive companies.

For many investors, value investing is about exploiting an economic cycle where the fortunes of banks, energy, and retail companies may have worsened as the economy faced a downturn. One could buy those stocks and wait for a cyclical recovery. To us, value investing is necessarily a bottom-up investment process. Today, operating on a company-by-company basis, we often find small- and mid-sized companies with a quality management, a defensible competitive advantage, growing free cash flow, and excellent capital discipline trading at discounted valuations because investors are overly focused on a handful of companies or are chasing popular market themes. Unrecognized value can also be realized when company-specific changes such as new management, a transformative acquisition, or a company's cost program are either overlooked or underappreciated. None of these potential catalysts for free cash flow necessarily depend on the top-down macroeconomic environment.

In short, the value premium is not dead, but taking advantage of it requires evolutionary thinking and appropriate value creation metrics. Focusing carefully on the business fundamentals that affect free cash flow enables us to build a portfolio that we believe generates superior long-term returns through economic and market cycles. A patient, low-turnover approach that allows quality companies to see outsized price appreciation compound relative to peers is critical to our success. We continue to find several attractive opportunities for investment in inexpensive stocks with under-appreciated economic value-creation potential. Some of the best relative performance in our portfolios has come in the wake of conditions like those that prevail today.

The key question for investors is: will the next ten years look the same as the last ten? We believe since the Fed started to increase rates in 2022 that we have entered a new market regime. The impact is being felt with a lag effect as dispersion is increasing as global rates are decoupling while currencies are more volatile. In the first half of this year, our strong performance versus the indexes and our peers in a flat market for small caps has come from our active stock selection and is not due to beta. As discussed in the Portfolio Strategy and Key Exposures section above, our outperformance has come from investing in undervalued growth businesses that were out of favor and in good businesses trading at deep value multiples that have delivered improved operating results. As bottom-up investors, we had to dig deeper, and look beyond the growth and value labels, to gain differentiated insights to identify superior businesses.

Disclosures

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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 = ω = √(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 = ω = √(σp2 + σb2 - 2βσb2) where σp2 = portfolio variance; σb2 = benchmark variance; and ß = Historical beta

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

Sapience Investments, LLC
Small Cap Value Equity Composite

As of December 31									
Year	Gross Returns (%)	Net Returns (%)	Russell 2000® Value Index (%)	Internal Dispersion (%)	Composite Gross 3Y Std Dev (%)	Index 3Y Std Dev (%)	# of Accounts	Composite Assets (000s)	Firm Assets (000s)
*2016	14.91	14.62	14.07	N/A	N/A	N/A	2	$223.99	$349.83
2017	3.06	1.95	7.84	0.19	N/A	N/A	14	$665.60	$771.66
2018	-17.33	-18.21	-12.86	0.17	N/A	N/A	14	$513.31	$647.68
2019	22.17	20.86	22.39	0.23	18.56	15.90	13	$610.15	$773.40
2020	7.11	5.99	4.63	0.20	33.32	26.49	12	$716.39	$760.25
2021	28.37	26.99	28.27	0.18	31.83	25.35	11	$870.84	$914.19
2022	-10.90	-11.87	-14.48	N/A	32.42	27.66	7	$487.53	$523.34
2023	10.50	9.30	14.65	0.25	20.21	22.06	8	$412.78	$443.03

*Period presented is October 1, 2016 through December 31, 2016.

1. Sapience Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sapience Investments, LLC has been independently verified for the periods October 1, 2016 through December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The Small Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small capitalization companies with durable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a two-to four-year investment horizon. The composite was created and incepted October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of model investment advisory fees. Net returns are calculated by reducing the quarterly composite returns by 1/4th of 1%, the highest tier of the standard fee schedule. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing investments, calculating performance, and preparing GIPS reports is available upon request. Dividends are recorded net of withholding taxes.
5. Internal dispersion is the equal-weighted standard deviation of the annual gross returns of all accounts included in the composite for the entire year. For years where there are 5 or fewer accounts in the composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation.
6. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest in these indices. The returns for the Index do not include any transaction costs, management fees or other expenses. The volatility (beta) of the Composite may be greater or less than its respective benchmark.
7. The fee schedule for Adviser's investment advisory services for the Small Cap Value Equity Composite is 1.00% on the first $25 million, 0.90% on the next $25 million, 0.85% on the next $50 million, 0.80% on amounts over $100 million. Actual investment advisory fees incurred by clients may vary.
8. Effective March 1, 2020, a significant cash flow policy was adopted for the composite. Portfolios are removed from the composite if they have a contribution or withdrawal at 50% or greater of the beginning market value of the portfolio. The portfolio is removed from the composite for the month in which the significant cash flow occurred and the following month.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. Past performance is not indicative of future results. Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. Registration as an Investment Adviser does not imply any level of skill or training. This material is not financial advice or an offer to sell any product. The portfolio characteristics shown relate to the Small Cap Value Equity Composite. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Adviser reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

SMID Cap Value Equity Composite

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

*Period presented is October 1, 2016 through December 31, 2016.

1. Sapience Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sapience Investments, LLC has been independently verified for the periods October 1, 2016 through December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
2. Sapience Investments, LLC is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. The firm was established in September 2016.
3. The SMID Cap Value Equity Composite (the "Composite") includes all actual, fee-paying and non-fee-paying, fully discretionary institutional accounts with equity positions that are managed with a view toward capital appreciation, through small- to mid-capitalization companies with durable business models, trading at a discount to our estimate of intrinsic value, and possess value drivers to narrow the valuation gap over a three-to five-year investment horizon. The composite was created and incepted October 2016. The firm's list of composite descriptions is available upon request.
4. Composite and benchmark returns reflect the reinvestment of income. Composite returns are net of transaction costs and are presented gross and net of model investment advisory fees. Net returns are calculated by reducing the quarterly composite returns by 1/4th of 1%, the highest tier of the standard fee schedule. Performance is expressed in U.S. dollars. Additional information regarding policies for valuing investments, calculating performance, and preparing GIPS reports is available upon request. Dividends are recorded net of withholding taxes.
5. Internal dispersion is the equal-weighted standard deviation of the annual gross returns of all accounts included in the composite for the entire year. For years where there are 5 or fewer accounts in the composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation.
6. The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest in these indices. The returns for the Index do not include any transaction costs, management fees or other expenses. The volatility (beta) of the Composite may be greater or less than its respective benchmark.
7. The fee schedule for Adviser's investment advisory services for the SMID Cap Value Equity Composite is 1.00% on the first $25 million, 0.90% on the next $25 million, 0.85% on the next $50 million, 0.80% on amounts over $100 million. Actual investment advisory fees incurred by clients may vary.
8. Effective March 1, 2020 through June 1, 2021, portfolios were removed from the composite if they had a contribution or withdrawal at 50% or greater of the beginning market value of the portfolio. The portfolio was removed from the composite for the month in which the significant cash flow occurred and the following month.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. Past performance is not indicative of future results. Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. Registration as an Investment Adviser does not imply any level of skill or training. This material is not financial advice or an offer to sell any product. The portfolio characteristics shown relate to the SMID Cap Value Equity Composite. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Adviser reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.