SAPIENCE
INVESTMENTS

Market Review: Reflexivity

"Markets can influence the events they anticipate." ~George Soros

As we exit the third quarter, we are witnessing a bond rout rarely seen in U.S. financial history. 10-Year Treasury bond yields began the quarter at 3.84%, closed at 4.57%, and raced towards 4.80% in early October. From July 1st through October 4th, the Treasury bond tracking ETF, TLT, lost 16.4% of its value. Searching for an explanation, a few pundits have pointed to prolific new government debt issuance, quantitative tightening by the Federal Reserve, or pronounced selling by foreign government entities, all of which are undoubtedly important factors, but none of these issues surprised investors anew this quarter. More than half of the selloff followed the late September FOMC meeting, where the projection for 2024 interest rate cuts were dialed back to 50 bps from 100 bps previously.

The tenor of economic news in the third quarter has been mixed. Most incoming information has been consistent with an observable loss of economic momentum, but many observers have been surprised by the economy's seeming resilience. In his remarks after the September FOMC meeting, Chair Powell observed, "Recent indicators suggest that economic activity has been expanding at a solid pace, and, so far this year, growth in real GDP has come in above expectations." While consumer spending has been sturdy, activity in the housing sector has been depressed by higher mortgage rates. The rapid pace of policy tightening and diminishing credit availability have also materially weakened business fixed investment. Finally, reflecting better balance in the supply and demand conditions for labor, non-farm payroll growth has averaged 150k/month in the past three months (through August), well below the 287k/month recorded in the first five months of 2023. This array of data is broadly consistent with the Fed's expectation expressed in September's Summary of Economic Projections that real GDP will moderate from 2.1% in 2023 to 1.5% in 2024.

While significant progress has been made to bring inflation down to the Fed's 2% target, inflation remains above that goal. Headline year-over-year PCE inflation (the Fed's preferred measure) was reported at 3.5% in August. Core PCE inflation fell to 3.9% (down from a peak of 5.5% in September 2022). More notably, the three-month annualized average of core PCE is 2.1%, suggesting that inflationary pressures have diminished as economic activity has moderated. Even so, Chair Powell warned that "(the) process of getting inflation sustainability down to 2% has a long way to go." Still, as policymakers reached what they expected to be the peak in short rates (with maybe one more 25 bp hike), they did not want to ratify an unwelcome ease in financial conditions that might unwind some of the hard-won progress they made to contain inflation. However, the opposite happened. Investors have shifted into a risk-off stance, tightening financial conditions—through the bond market selloff, equity market weakness, and U.S. dollar strength—and likely hastening a more pronounced downshift in economic activity.

The first three quarters of 2023 can be characterized as a thematic and momentum driven market with an undertone of macro uncertainty and the fear of an impending recession. The market has been led by the magnificent 7 stocks that were boosted by the Artificial Intelligence (AI) euphoria. Year to date ended September 30, 2023, the S&P 500 Index (market-cap weighted) is up more than 13%, while the equal-weighted S&P Index is almost flat. The difference is due to the Magnificent Seven, which as a group are up more than 90% on a blended basis. Another prevalent theme, and the topic du jour, is the weight loss drugs (GLP-1s) as the concerns regarding the long-term impact of these drugs have had a negative impact on several industries, and are not just limited to healthcare.

Russell Index Returns—*As of September 30, 2023*

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Russell 2000 Index	-5.1	2.5	8.9	7.2	2.4	6.7
Russell 2000 Value Index	-3.0	-0.5	7.8	13.3	2.6	6.2
Russell 2000 Growth Index	-7.3	5.2	9.6	1.1	1.6	6.7
Russell 2500 Index	-4.8	3.6	11.3	8.4	4.6	7.9
Russell 2500 Value Index	-3.7	2.0	11.3	13.3	4.0	7.0
Russell 2500 Growth Index	-6.8	5.6	10.6	1.0	4.1	8.4
Russell Mid Cap Index	-4.7	3.9	13.5	8.1	6.4	9.0
Russell 1000 Index	-3.2	13.0	21.2	9.5	9.6	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

In the third quarter of 2023, we saw small and mid caps post monthly returns that were a mirror image of the prior quarter—generating positive returns in July and negative returns in both August and September. As measured by the Russell Indexes, the returns across the broad indexes were relatively narrow with the Russell 2000 Index declining 5.1% while the Russell 1000 was down 3.2%. In both small and mid caps, value outperformed growth, reversing growth's two quarter dominance.

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 +16% and +19%. The only other sector to generate positive returns was Financials, however, all returns were minimal relative to the Energy sector (between +1% and +2%). Laggards for the broad and value Russell 2000 Indexes during the period were the Health Care, Utilities, and Technology sectors, declining between -15.2% to -16.1%, approximately -11.7%, and between -9.2% and -11.9%, respectively. Within the broad and value Russell 2500 Indexes, Health Care, Communication Services, and Utilities declined the most, down between -12% and -15%, -9% and -12%, and -9% and -10%, respectively.

The markets have been anticipating a recession since the beginning of 2022 and we are still waiting. Since November 2021, small caps are down more than 25% while they clearly did not benefit as much as large-cap growth stocks post Covid in 2020-2021. On a relative and absolute basis, small caps are unusually cheap. Small-cap shares are already factoring in a recession and an earnings collapse while large caps are historically expensive. The current relative forward P/E of small-cap stocks to large-cap stocks is trading near levels not seen since the records set during the Dotcom Bubble.

The last five-year returns have been anomalous for small caps relative to large caps—the Russell 2000 Value Index delivered +2.6% and the Russell 2000 Index +2.4% for the five-years ended September 30, 2023 (annualized) versus +9.9 for the S&P 500 and +15.1% for Nasdaq. Small caps have a history of emanating from long periods of low performance to those with above average returns. For example, since the Russell 2000 Index's inception, when its annualized five-year returns were less than 5%, subsequent five-year returns averaged almost 15%.

Performance Impact

During the third quarter, both our strategies delivered better performance than their respective benchmarks, albeit still generating negative absolute returns. Our Small Cap Value strategy returned -1.3% gross (-1.6% net) and our SMID Cap Value strategy returned -0.1% gross (-0.4% 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 +1.6% in Small Cap and +3.5% in SMID.

In reviewing our Small Cap Value portfolio's attribution, the relative outperformance was nearly all stock selection. More specifically, security selection in Technology, Consumer Discretionary, and Health Care with New Relic, Inc., Capri Holdings Ltd., and Elanco Animal Health Inc. adding the most value to their respective sectors. Elanco reported a good second quarter and raised 2023 guidance for revenue and earnings. The company is making progress with new products, which are key to improving the growth profile of the business. Conversely, our stock selection in the Energy sector hindered performance in our Small Cap strategy with Comstock Resources, Inc. detracting value. Comstock had a slight miss in production due to weather, which challenged the company's stock price during the quarter.

In our SMID Cap Value portfolio, stock selection also accounted for nearly all the outperformance. Security selection in the Consumer Discretionary, Health Care, Technology, and Financials sectors added the most value. Capri and Samsonite International S.A. were top contributors in Consumer Discretionary, while Catalent Pharma Solutions, Inc. and Elanco added the most value in Health Care. Despite Catalent's operational challenges, the core Biologics business, excluding Covid-related revenue, is expected to grow approximately 30% in the upcoming fiscal year. Catalent made progress addressing operational issues at three key facilities that have impacted profitability. The company also entered into a Cooperation Agreement with Elliott Investment Management L.P. and established a Strategic and Operational Review Committee of the Board to review the company's strategy, operations, and capital allocation. In Technology, Varonis Systems, Inc. was the best performer. Within Financials, Webster Financial Corp. was the top contributor as it delivered a solid quarter in a difficult environment with strong returns on assets and equity. In a reversal from the prior quarter, stock selection in Consumer Staples detracted value with TreeHouse Foods, Inc. performing the worst.

(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

The breadth was narrow in the markets as the Magnificent Seven stocks became the offensive and defensive play and correlations remained elevated as stocks were trading based on their factors and themes rather than on underlying fundamentals of the business. During the quarter, we retained our defensive posture, and we benefited from the acquisitions of Capri and New Relic. On the other hand, as we look at a few of our holdings that declined during the quarter, especially in Consumer Discretionary and Health Care, we believe a few have become incredible bargains. As discussed in the last quarterly review, our portfolio's key sector exposures have remained consistent with no major changes. Our overweight in the Consumer Staples sector is not merely a macro call but, as you should expect from us, more based on fundamentals and the respective upside we see in our investments.

In the Consumer Discretionary sector, we believe we own several high-quality businesses that offer considerable upside due to the current macro uncertainty. Within Health Care, several industries and companies have come under pressure due to the potential long-term benefits of weight loss and related ailments due to GLP-1s. The impact of GLP-1s is being felt in industries outside Health Care, like in Consumer Staples, fast food, alcohol, and even airlines. The Health Care sector has also been experiencing a lull since last year—resulting from a slowdown in spending within life sciences. These two issues coupled with economic uncertainty for particular discretionary types of healthcare businesses has led to valuations that we believe are quite attractive within the sector. Banks have stabilized after the mini banking crisis earlier this year, however, the NIM pressure will continue to suppress earnings in the near term along with a slowdown in loans and credit concerns due to the macro uncertainty. We remain underweight Financials in both strategies.

Small Cap Value Equity Performance—*Through September 30, 2023*

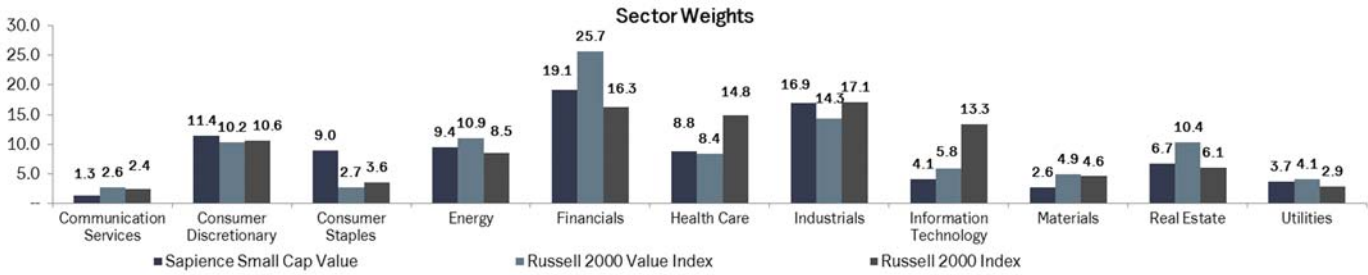
	Quarter	Year to Date	1 Year	3 Years	5 Years	Inception to Date
Sapience SCV Equity Composite (Gross)	-1.3%	-1.1%	7.4%	16.5%	2.3%	5.4%
Sapience SCV Equity Composite (Net)	-1.6%	-1.9%	6.2%	15.2%	1.2%	4.3%
Russell 2000 Value Index	-3.0%	-0.5%	7.8%	13.3%	2.6%	5.9%
Russell 2000 Index	-5.1%	2.5%	8.9%	7.2%	2.4%	6.6%

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, 2023*

	Sapience Small Cap Value
Largest 10 Positions – Total Weight	25.0%
Active Share [2] (relative to the Russell 2000 Value Index)	95.6%
Tracking Error [3]	5.5
Number of Buys[4]	3
Numbers of Sells[4]	4

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



Sources: Russell Investments, FactSet

Small Cap Value Equity

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

Top and Bottom Contributors
Third Quarter 2023

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Capri Holdings Ltd.	National Vision Holdings, Inc.
Liberty Energy Inc.	TreeHouse Foods, Inc.
Samsonite International S.A.	Healthcare Realty Trust Inc.
New Relic, Inc.	Envista Holdings Corp.
Varonis Systems, Inc.	Ingevity Corp.

Capri Holdings Ltd.
Capri Holdings Ltd.'s stock appreciated meaningfully during the quarter as Tapestry, Inc. announced its acquisition of Capri at $57 per share in cash, which amounted to a 65% premium over the prevailing stock price. As we wrote earlier this year, Capri's stock had sold off materially due to weakness in the wholesale channel for the Kors brand and a pullback among aspirational luxury customers. The company has consistently executed since the pandemic by growing sales in all three of its brands (Versace, Michael Kors, and Jimmy Choo), expanding margins, and its strong free cash flow generation has been impressive. We believed that Capri's stock was trading at a depressed 6x P/E multiple for a company that owns a portfolio of leading brands. This is a good example of a strategic buyer recognizing the value of the brands and stepping up to take advantage of the weakness in the company's stock price due to short-term issues.

Liberty Energy Inc.
Earlier this year, Liberty Energy Inc.'s stock sold off as investors feared that pressure pumpers would see lower results as natural gas rigs came off the market due to a lower commodity price. These fears were somewhat unfounded as operators, such as Liberty, are highly sought after for their quality—any weakness from gas rigs was made up by newer customers who wanted to work with Liberty. The company reported a steady EBITDA and gave stable guidance for the rest of the year, which helped the company's stock to outperform this quarter. Pressure pumpers in North America have consolidated to four operators controlling almost 70% of the market, resulting in stable pricing and disciplined capital investments.

Samsonite International S.A.
Samsonite International S.A's stock outperformed during the third quarter as the company continued to deliver solid results and the quarter to date sales for the third quarter of 2023 have accelerated to approximately 18% versus the comparable period in 2019. For 2023, management raised margin guidance and now expects 19% EBITDA margin, which exceeds its prior peak and, in 2024, management expects to reinstate a dividend. The momentum in the business is being driven by a recovery in Asia, especially India and international travel in China, along with the continued strength in the U.S. and Europe. We believe that Samsonite remains well positioned as international travel recovers.

New Relic, Inc.
We had noted earlier this year that New Relic, Inc. was on a path to fundamental improvement as it had successfully transitioned its business model from a subscription model to a consumption model. New Relic is one of the few cloud-based software companies growing at a higher rate today than two years ago. Its growth has been mid to high teens with operating margins also inflecting to more than double digits. During the third quarter, the company agreed to be acquired by private equity firms Francisco Partners and TPG for a modest premium to the prevailing stock price.

Varonis Systems, Inc.
Last year, Varonis Systems, Inc. was one of the few software companies to reset investor expectations downward regarding growth. The company's stock price reflected this reality last year; however, this year Varonis has been steadily executing and growing while also expanding its margins. The company delivered higher than expected growth in its transition to subscription revenues. Excluding AI, cyber security is one of the only areas that is still seeing steady funding from VCs. In addition, Varonis is experiencing a healthy consumption of their cloud solution as it is the de facto standard for providing internal cloud protection to companies' critical files and workloads.

National Vision Holdings, Inc.
After reporting an inline quarter, National Vision Holdings, Inc.'s stock price declined in the third quarter due to the termination of their Walmart partnership in 2024. Walmart was a legacy relationship that was not a core part of the company's growth strategy. Based on estimates provided, the Walmart business would impact the current year EBITDA by about 10% as it was a lower margin business versus the core operations. The company also reaffirmed its 2023 outlook.

TreeHouse Foods, Inc.
Treehouse Foods, Inc.'s stock price surprisingly declined in the third quarter after reporting better than expected sales and EBITDA for the second quarter and raising the 2023 guidance. We believe the negative volume growth for the private label category and the company during the second quarter was a factor as investors were expecting private label to gain share from the branded food companies. An additional contributing factor to the weakness in the packaged food industry (branded and private label) was the fear of volume loss due to the weight loss drugs (GLP-1s). The company expects to generate positive volume growth in the second half of 2023 and it took advantage of the dislocation in the share price to repurchase $50 million of its shares during the third quarter.

Healthcare Realty Trust Inc.
Healthcare Realty Trust Inc.'s stock price declined in the third quarter after reporting a modest miss relative to the street's expectations. The disappointing message in their report was that management slightly lowered fiscal year 2023 guidance due to higher interest expenses and rising labor costs. There are, however, some encouraging signs toward increased leasing (occupancy was up +30 bps quarter-over-quarter). Healthcare Realty has an opportunity to raise occupancy on its recently acquired, multi-tenant HTA portfolio to pre-pandemic levels (currently, it is 400 bps below). Healthcare Realty's balance sheet also remains a central concern. Net debt/adj EBITDA was unchanged at 6.6x (the target is 6.0-6.5x on a normalized basis). If management can get more leases signed, then this figure would fall. In addition, the company has $854 million in variable debt, so a 100 bp rise in borrowing costs subtracts about 2 cents/share from FFO. We believe that the discount in Healthcare Realty's shares already reflect these issues to a great degree.

Envista Holdings Corp.
Envista Holdings Corp. reported a good second quarter after a slow start to the year. While dental demand remains resilient, the macro environment has become less favorable, which we believe has pressured the company's shares. Higher cost procedures in particular are facing some weakness and deferrals. Management maintained 2023 guidance, which implies improvement in EBITDA margin in the second half of the year. The tougher macro conditions have likely created some concern on the attainability of the company's margin goal for the year. Despite the near-term macro related pressures, we believe Envista remains well positioned in the dental market and should see improvement as some of these pressures abate.

Ingevity Corp.
Ingevity Corp.'s stock underperformed during the third quarter as the company reduced its 2023 EBITDA outlook (second quarter in a row) by 13% due to continuing elevated pricing of crude tall oil (CTO)—a key raw material—along with weakness in industrial markets. More recently, these markets were further pressured by the labor strikes at the major U.S. auto manufacturers. On the other hand, Pavement technologies—the company's other major business segment— posted a record quarter.

SMID Cap Value Equity Performance—*Through September 30, 2023*

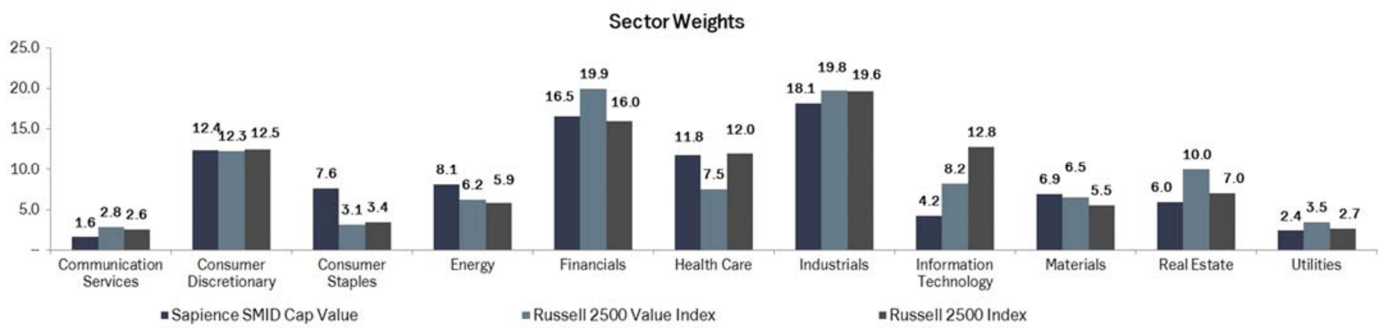
	Quarter	Year to Date	1 Year	3 Years	5 Years	Inception to Date
Sapience SMID Cap Value Equity Composite (Gross)	-0.1%	-2.2%	6.1%	12.7%	2.5%	4.3%
Sapience SMID Cap Value Equity Composite (Net)	-0.4%	-2.9%	5.0%	11.6%	1.5%	3.2%
Russell 2500 Value Index	-3.7%	2.0%	11.3%	13.3%	4.0%	6.5%
Russell 2500 Index	-4.8%	3.6%	11.3%	8.4%	4.5%	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.

SMID Cap Value Equity Characteristics and Sector Weights—*As of September 30, 2023*

	Sapience SMID Cap Value
Largest 10 Positions – Total Weight	27.7%
Active Share [2] (relative to the Russell 2500 Value Index)	94.4%
Tracking Error [3]	5.3
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. Capri Holdings Ltd., Liberty Energy Inc., Samsonite International S.A., National Vision Holdings, Inc., TreeHouse Foods, Inc., Healthcare Realty Trust Inc., and Envista 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 2023

Top Five Contributors	Bottom Five Contributors
Company Name	**Company Name**
Capri Holdings Ltd.	National Vision Holdings, Inc.
Samsonite International S.A.	Healthcare Realty Trust Inc.
Liberty Energy Inc.	TreeHouse Foods, Inc.
WestRock Co.	Envista Holdings Corp.
Diamondback Energy, Inc.	Sealed Air Corp.

WestRock Co.
Westrock Co.'s stock appreciated during the quarter as Smurfit Kappa, Inc. announced a merger with the company for one share of the new entity and $5 per share in cash, which amounted to a decent premium over the prevailing stock price. Given WestRock's depressed valuation, Smurfit is capitalizing on cyclical weakness in containerboard to build

significant scale in the U.S. For WestRock, this merger will afford them the opportunity to combine with a well-managed business with a solid balance sheet to accelerate operational improvements and recapitalize assets.

Diamondback Energy, Inc.
Diamondback Energy, Inc. has demonstrated it is a premier E&P company in terms of its execution and asset quality. They continued to execute this quarter—increasing their capital efficiency, increasing oil production, and decreasing capital expenditures. They are also ahead in their plan to shed non-core assets and integrate oil assets, which were purchased earlier this year in Midland Texas. Shareholder returns have been attractive as Diamondback produces strong free cash flow and is returning more than 75% to shareholders though dividends and share buybacks.

Sealed Air Corp.
Sealed Air Corp.'s stock underperformed during the third quarter as the company reduced its second half 2023 outlook due to weakness in industrial electronics and fulfillment markets along with continuing destocking within its protective packaging segment. Within the less cyclical food segment, the business has been negatively impacted by the U.S. cattle cycle, partly offset by an improving Australian cattle cycle. Management also announced a cost take out program of approximately $150 million over the next two years to drive improved margins. While the recovery has been pushed out in the industrial segment, we believe that Sealed Air is a differentiated packaging business due to its proprietary products and brands that allow it to earn superior margins.

Outlook

"Toto, I've a feeling we're not in Kansas anymore." ~Judy Garland, The Wizard of Oz

When Austria sold 100-year bonds in the summer of 2020, the 0.85% coupon was deemed so attractive that Vienna received €16 billion of orders. Last week, the yield on the century bond maturing in 2120 was close to 3%, its price having fallen below €33. The 67% price decline should be a rude awakening to investors about duration risk, or the sensitivity of an asset to changes in interest rates. Clearly, when it comes to interest rates, we are in a different environment altogether from where we have been for the last 15 years. Markets are slowly coming to grips with this reality. However, there is still a lot of hope built into certain segments of the market—growth stocks are pricing that inflation will soon be subdued and rates will decline meaningfully over the next 12-18 months.

A company creates economic value when there is a positive spread between its operating profit (adjusted for taxes on a cash basis) and its cost of capital. The risk-free interest rate is an essential input to the cost of capital calculation. Since March 2022, when the Fed began raising short-term interest rates, real rates across the yield curve have risen from close to zero to well above 2% today. This development marks a new regime. Long-term interest rates will probably approximate nominal GDP through the cycle (as in the pre-GFC world) to tame the post-pandemic inflation burst. For investors accustomed over the past decade to operating in a low-return world, recency bias often clouds their use of the past to understand the present and future. A higher (and currently rising) cost of capital will have broad ramifications for investors and the allocation of capital. Higher real rates act like gravity on asset prices and especially pressure expensive and levered assets. We are starting to witness the impact that higher rates are causing in the private equity and commercial real estate markets.

The economic cycle also plays into the relative performance of value versus growth stocks. As economic momentum slows, growth stocks face more significant relative downside risks in achieving elevated investor operating profit expectations, whereas value stocks generally start with lower expectations. Hence, both lower operating profit and a higher cost of capital act to narrow potential economic value added, having a disproportionate impact on growth stocks. We believe that today, within value stocks, quality businesses are available at almost a record discount to their own history. Therefore, the blend of quality and value can offer a powerful risk reward regardless of whether we were to endure a mild or a normal recession.

The post-pandemic spike in inflation has been driven by structural and cyclical forces. Protectionist U.S. trade policies have sparked a movement to onshoring or "nearshoring" of supply chains, consistent with deglobalization, making it more difficult for companies to reduce labor and raw material costs. These developments contribute to an environment in which inflation and interest rates will remain high compared with recent history. The Fed's aggressive battle to tame inflation presents a challenging operating environment for all businesses, growth and value alike, likely resulting in a wider dispersion between equity market winners and losers. In this more complex environment, we, as investors, need to dig deeper, and beyond the growth and value label, to gain valuable insights and identify truly superior businesses.

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

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[1] 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: $TE = \omega = \sqrt{(E[(rp - rb)2])}$ where $rp - rb$ = the active return (i.e., the difference between the portfolio return and the benchmark return). This formula simplifies to: $TE = \omega = \sqrt{(\sigma p2 + \sigma b2 - 2\beta\sigma b2)}$ 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	14.62	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

*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, 2022. 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.
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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

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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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