TIMESSQUARE
CAPITAL MANAGEMENT, LLC

International Micro Cap Strategy

Representative Commentary — 1Q21

Performance		
	1Q21	**Since Inception (1/1/2021)**
International Micro Cap Composite (Gross)	4.90%	4.90%
International Micro Cap Composite (Net)	4.61%	4.61%
MSCI AC World Ex USA Small Cap (Net) Index	5.53%	5.53%

Please see the important performance and other related disclosures at the end of this Commentary, which are an integral part of this quarterly Commentary Newsletter.

The year 2021 began with relief, perhaps simply because it was no longer 2020. Though new strains of COVID-19 appeared in different spots around the world and some areas saw additional waves of increased cases, broadly speaking the pandemic's tide turned. By the end of the first quarter more than half a billion people had been vaccinated though the rate was uneven across regions due to distribution challenges. After a strong finish at the end of 2020, global equity markets stepped into 2021 gingerly, with slightly negative returns and heightened volatilities in January. That reversed as volatilities ebbed and markets climbed to end the first quarter with gains of 6% for equities in the U.S., 3% for non-U.S., and 2% for emerging markets (though the respective small cap indexes were even better in each of those three areas).

Europe's relatively slow vaccine rollout and somewhat smaller fiscal stimulus lagged that of the United States and translated into similar trends in terms of economic performance. Some European countries increased lockdown measures as infection rates moved higher. After a slow start, however, the vaccine rollout is gaining pace.

In Japan, a nationwide state of emergency was declared in January and parts of the country were forced to close to prevent a resurgence of the COVID-19 virus. Business activity was restricted and consumer spending was reigned in. Sentiment was also dampened when the Bank of Japan decided to abandon its ¥6tn ($55bn) annual target for exchange traded fund purchases.

China was the first-in, first-out of the pandemic shutdown and is being boosted by the recovery in the global economy; however, U.S.-China tensions continue to linger in the background. Political turbulence in Brazil and pandemic woes also resulted in market dislocations in Latin America.

Portfolio Performance Attribution

In the first quarter, the TimesSquare International Microcap strategy underperformed the MSCI AC World Ex USA Small Cap benchmark. While the fund started the year with strong relative outperformance, gains were pared later into the quarter on the back of a spike in bond yields and inflation expectations. This triggered a sharp style rotation out of growth and into value-oriented sectors, such as Financials, and Industrials. While our holdings across Europe, Asia/Pacific Ex Japan, and Emerging Markets had a net positive impact on relative performance, this was offset by weakness in Japan and the Americas. Our investment framework focuses on quality businesses with sustainable growth and cash flow generation. Our exposures generally consist of companies with distinct, sustainable competitive advantages and a higher degree of pricing power.

Regional Performance: Europe

Strong stock selection was found in Europe, where our names in France, Norway, Sweden, and the United Kingdom contributed to relative outperformance. However, there was some relative weakness in Germany, Ireland, and Italy.

In France, multinational market research and consulting firm, **Ipsos SA** finished up 9% during the quarter. Unlike its larger peers, the company derives a significant portion of their revenue through custom research, a more value-add service. The group has organized itself more towards a client centric sales approach, helping to cross-sell based on client needs. During the quarter, the company reported better than expected top and bottom line results, along with improved margin expansion. Management also reiterated

their 2021 guidance, as they are starting to see increased demand from clients to try and understand the long-lasting changes in consumer behavior from the COVID-19 pandemic.

Helping the portfolio in nearby Germany was **Basler AG**, a leading manufacturer of high-quality digital cameras and accessories for applications within industrial automation, medical and life sciences, traffic and safety, and logistics. Despite a challenging market environment due to the pandemic, the company reported stronger than expected revenues, as well as significantly higher free cash flow. Management noted a strong order backlog that continues to trend higher from increased demand in logistics, semiconductor and electronics. Shares were up 27% during the first quarter. Less encouraging results came from **Brockhaus Capital Management AG.**, as shares fell -28%, making it our worst detractor during the quarter. The German private equity company operates two companies, IHSE, a leading developer and manufacturer of advanced keyboard, video, and mouse (KVM) devices, and Palas, a leading developer and manufacturer of high-precision nanoparticle measurement devices for the semiconductor industry. Shares continue to be weighed by the IHSE business as installation of complex technology infrastructure projects could not yet be realized due to ongoing travel and contact restrictions. The equity story is also under pressure, as the market awaits expected acquisitions which have not yet materialized. Down -18% for the quarter was **Fabasoft AG**, a leading software company, with an emphasis on the digital control of documents and electronic document management. Their main growth driver, Mindbreeze, is a leading provider in the enterprise search and knowledge management space. While the company reported quarterly results that were broadly in-line with analyst estimates, management noted that Mindbreeze demand was rather soft for the quarter, as companies remain somewhat reluctant to start such projects. Looking ahead, we believe the company has a strong pipeline in the public sector, as budget visibility should improve in the second half of the year.

Italy based **doValue SpA** is a servicer of third-party non-performing loans in southern Europe. Its services include collection and recovery, due diligence, structure, and co-investment. The company posted better than expected revenues from the Hellenic Region (Greece and Cyprus) due new servicing mandates. Management also commented that collection rates are expected to continue to rise towards pre-COVID-19 levels, along with continued momentum from new mandates. Shares were up 3% during the quarter. **Datalogic SpA**, is a global leader in the automatic data capture and process automation markets, specializing in the design and production of bar code readers, mobile computers, sensors for detection, measurement and safety, and laser making systems. Share were up 18% for the quarter as the company reported a better than expected operating margins due to its cost reduction initiatives. While uncertainty on the pandemic is still high and the timing of the vaccine deployment remains unclear, management expects revenues to recover in all geographies in 2021.

Moving up north to Norway is software provider **Pexip Holding ASA**. Pexip offers an end-to-end video conferencing platform and digital infrastructure with a main focus on large enterprise customers like VW, Vodafone, Accenture, Paypal, and the US State department. They are used in professional, high privacy meetings with high reliability. The company reported strong year-over-year growth in annual recurring revenue, driven by both software and cloud services. Management reiterated their solid cash position to fund growth initiatives for significant scalability. Shares were up 36% during the quarter.

In neighboring Sweden, **Sdiptech AB** is a technology group, focused on infrastructure. They are involved in construction and renovation in growing metropolitan areas. The company's growth strategy relies on acquisitions and uses a decentralized model, where acquired businesses tend to keep their operational freedom. During the quarter the company reported strengthening operating margins and free cash flow, which gave shareholders increased confidence in management's ability to execute on future growth opportunities. As a result, shares were up 36% for the quarter.

Turning to the U.K. **Volution Group plc** is one of the largest suppliers of ventilation and recovery systems in the country and amongst the largest five in Europe. The company manufactures, assembles, and distributes integrated extractor fans and other ventilation products, primarily for the residential market. During the quarter, the group delivered solid organic growth and better than expected margin expansion. Management indicated that not only are they benefiting from a market recovery after COVID-19 supply chain issues, but also from new product penetration, regulatory support, and solid pricing power. As a result, shares were up 45% during the quarter.

Regional Performance: Japan

Japan was the portfolio's weakest link for the quarter. Falling -27% was **MedPeer,** which provides a community site exclusively for physicians to link up with pharmaceutical companies and is a first-mover in Japan's online healthcare space. Despite solid results with revenues doubling and operating margin expanding year-over-year, shares dropped -25% during the quarter. **Tri Chemical Laboratories** is a specialty producer of chemicals for the semiconductor manufacturing industry. Shares corrected -21% on an equity financing for production capacity and the release of a medium-term plan which appears conservative. Conversely, shares of **Toyo Gosei** rose 10% for the quarter, helping offset some of our regional weakness. The company is a major producer of raw materials used to make photoresist; a light-sensitive chemical used to form circuits in semiconductors, LCDs and OLEDs. Management raised its full-year guidance and we remain sanguine on earnings prospects as new production capacity comes online this spring at its Chiba plant.

Regional Performance: Emerging Markets

Delivering a lift to performance this quarter were our holdings in the Emerging Markets. The portfolio's top

contributor was China's independent payment platform and merchant acquirer, **Yeahka.** After falling on regulatory concerns related to Ant Financial's planned IPO, its share price recovered by 45%. Its payment platform continued to flourish, with 600 million Chinese users having completed payments using Yeahka QR codes. Yeahka utilizes payment as a traffic gateway into its other higher margin business and its marketing platform is also growing rapidly. Another prime contributor was **eCloudValley ("ECV"),** a Taiwanese company that is the leading Amazon Web Services Cloud Managed Services Provider (MSP) for the Greater China Region. It commands 50-60% market share in Taiwan and is the largest MSP in Hong Kong as well, with additional operations in China and Southeast Asia. ECV shares rose 24% in Q1. **Shanghai Kindly Medical Instruments Co.** is one of China's leading domestic manufacturers of cardiovascular interventional devices that is a high quality, domestic beneficiary of increased healthcare spending from to the country's aging population. While the company reported a solid fiscal year during 2020, mainly due to higher profit margins from their new mask industry, shares fell in tandem during the market pullback. We added into price weakness, as shares were down -24% for the quarter.

In nearby Korea, **Tokai Carbon Korea** (TKC) is a manufacturer of silicon carbon (SiC) rings which are used in the etching equipment of semiconductors. The SiC rings help lower running costs while driving greater efficiency and higher yields. TKC reported solid results with its backlog and penetration rate increasing as semiconductor clients have been adopting SiC in their new equipment orders. The shares climbed 32% and we top-sliced our position on the strength**.** A detractor to performance was **Ezwel** which provides Korean clients with a platform for welfare programs and benefit package programs. Ezwel's clients include large corporate groups, government agencies, and state-run corporations. Following a stock purchase deal between Ezwel and Hyundai Green Food (HGF) which concluded on Jan 25, 2021, HGF has emerged as Ezwel's largest shareholder. However, EZwel pulled back by -19% despite continued business momentum and its synergistic Hyundai partnership; we added to the name on weakness.

Regional Performance: Asia/Pacific Ex-Japan and Americas

Asia Pacific Ex-Japan was an area of relative strength during the quarter. Shares of **Pushpay Holdings Ltd**, a New Zealand mobile payments company, rose 9%. The software firm provides online payments and engagement solutions for churches predominantly in the U.S. The company reported an overall strong fourth-quarter and gave encouraging forward guidance for fiscal 2021. We are encouraged by the appointment of Molly Matthews, a senior manager at Pushpay to role of CEO and expect the stock will prove to be a reopening beneficiary. **Shanghai Kindly Medical Instruments Co.**, is one of China's leading domestic manufacturers of cardiovascular interventional devices that is a high quality, domestic beneficiary of increased healthcare spending from to the country's aging population. While the company reported a solid fiscal year during 2020, mainly due to higher profit margins from their new mask industry, shares fell in tandem during the market pullback. We added into price weakness, as shares were down -24% for the quarter.

Within Canada, **Dye & Durham Ltd.** is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The company has a strong blue-chip customer base of over 25,000 clients, which include the top 20 law firms in Canada, where the average customer relationship is over 16 years and no customer represents more than 2% of revenue. During the quarter, the company submitted a bid for a government software company, Idox. However, after extended due diligence, the company chose to back away, underscoring management's discipline. Shares finished the quarter down -19% following strong outperformance in the second half of 2020.

Conclusion

The global markets appear focused on the light at the end of the pandemic tunnel, with generally supportive monetary and fiscal policies from all corners. How long the "back to normal" bump will last is unknown, as is the future costs of the global stimulus—such as from higher levels of taxes, interest rates, or inflation. The vulnerabilities seen last year and recently in the global supply chain are driving efforts by governments and corporates to secure access to critical raw materials. Amidst the shifting macroeconomic and social landscape, our bottom-up, fundamental research process has continued uncover new and attractive portfolio candidates with above average earnings growth and high ROIC. We remain available for any questions you might have as we endeavor to protect and sustainably grow the assets you have entrusted with us.

General Disclosure:

The holdings discussed represent a particular point in time. It should not be assumed that the securities continue to be held, and/or continue to be held in the same percentage, and/or were held continuously throughout the period. In addition, the holdings of a particular client account may differ from the information provided. Securities discussed do not represent the entire portfolio and, in aggregate, may represent only a small percentage of a portfolio's holdings. Information is subject to change without notice. It should not be assumed that any of the securities discussed were or will prove to be profitable. Past performance does not guarantee future results.

The opinions and information expressed and provided are for general information only and are not intended to provide specific advice or recommendations but rather, a basis from which strategies can be built, taking into account the specific objectives of each portfolio, in terms of return, time horizon, and risk constraints, as well as diverging investment perspectives and assumptions. All material has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

This document, which is being provided on a confidential basis, shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified offeree receives a confidential private offering memorandum ("CPOM"), which contains important information (including investment objective, policies, risk factors, fees, tax implications and relevant qualifications), and only in those jurisdictions where permitted by law. In the case of any inconsistency between the descriptions or terms in this document and the CPOM, the CPOM shall control. These securities shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied. This document is not intended for public use or distribution. While all the information prepared in this document is believed to be accurate, TimesSquare Capital Management, LLC, makes no express warranty as to the completeness or accuracy, nor can it accept responsibility for errors, appearing in the document.

Composite & Performance Disclosure:

Performance is measured against the MSCI ACWI ex USA Small Cap (Net) Index. MSCI ACWI ex USA Small Cap (Net) Index is a trade or service mark of MSCI Inc. The MSCI ACWI ex USA Small Cap (Net) Index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. Its returns include net reinvested dividends but, unlike the Composite returns shown, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the Index. All indexes, including the MSCI ACWI ex USA Small Cap (Net) Index, are based on gross-of-fee returns, including net reinvested dividends.

Benchmark returns are not covered by the report of independent verifiers.

This composite generally invests in MSCI World stocks with market capitalizations below $7.5 billion at time of purchase. Portfolios will hold approximately 110 securities. The process is fundamental research driven. Composite inclusion threshold $500,000. Fee basis is 90 points. The composite creation date is January 1, 2018.