TIMESSQUARE
CAPITAL MANAGEMENT, LLC

TimesSquare Global Health Care Fund

To our Investors,

As we mark the one-year anniversary of the Global Health Care Fund ("the Fund"), we would like to thank you for your continued support. Through the end of March 2021, the Fund's net performance was 0.4% for the quarter and 26.8% since inception (April 1, 2020).

Launching the fund in the heart of a pandemic created unique challenges, but we are proud of the resourcefulness shown by the entire team, especially our operations and marketing colleagues. Like everyone else, we had never seen an economy intentionally shut down, and were unsure if aggressive actions by the Fed would be enough not only to offset the damage of COVID-19, but actually prevent massive defaults. Looking back, we were too cautious to embrace fully the ability of the government's rescue plan to stave off catastrophe. Health Care was one of the best performing sectors during the first phase of the pandemic, but then lagged through the back half of the year as the market focused on the reopening trade. We continue to believe that health care provides investible opportunities in any cycle.

Our primary goal is to identify innovative and disruptive themes within health care, and the companies best positioned to capitalize on those trends. The health care sector is well balanced across growth and value and we will shift toward the more defensive areas within the space when we feel it is appropriate. Concerns over inflation sparked a dramatic rise in 10-year Treasury yields, accelerating a shift towards value and away from growth. While we are growth investors by nature, we have reduced our growth exposure as we view the trend will be higher rates despite recent stabilization. Therefore, we have become more concentrated in our favorite growth names, while adding a few value-oriented positions.

1Q 2021 Commentary

After a strong finish at the end of 2020, global equity markets seemed to be on cruise control for the first three weeks of January until the historic GameStop short squeeze threatened to bring down at least one prominent hedge fund. The heightened volatility at the end of January receded and the markets climbed to end the first quarter up 5%[1]. Meanwhile, rising interest rates throughout the quarter drove a rotation away from growth stocks towards value. Despite the health care sector's balance of growth and defensive characteristics, the sector significantly underperformed the general market (0.90% vs. 4.92%)[2].

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[1] As measured by MSCI World Index

[2] As indicated by MSCI World Index and MSCI World Index – Health Care and MSCI World Index

A number of factors drove the underperformance of the sector during the quarter, including a growth to value rotation, a general reopening trade, and concerns over possible drug pricing reform. We continue to view the long-term structural dynamics for investing in innovative health care as favorable. To that point, concerns over pricing reform, which has disproportionately weighed on developmental biotech, seem overdone. More recently, President Biden has decided not to tackle drug pricing in The American Family Plan, instead using increased taxation as a source of revenue. While we believe drug pricing reform will continue to remain an overhang, the most draconian measures like direct price negotiation appear off the table. Thus we believe investor sentiment will begin to turn. We are particularly excited about the upcoming annual meeting for the American Society of Clinical Oncology, which is the biggest medical conference of the year for oncology drug development. We expect the conference will reignite interest in the space and attract generalist investors to the sector.

As it pertains to the pandemic and reopening the economy, vaccinations have turned the corner in the U.S., though the challenge remains to achieve herd immunity before the variants become more of an issue. It is worth noting that breakthrough infections have been observed, as the vaccines are not 100% protective. In addition, key questions remain regarding the efficacy of the vaccines against emerging COVID-19 variants. We continue to monitor the evolving literature, but we are optimistic that vaccines can be modified to address future variants.

Adenovirus-vectored COVID vaccines, such as what Astra Zeneca and Johnson & Johnson (JNJ) developed, were dealt a bit of a setback when a link to thrombotic thrombocytopenia, a rare clotting disorder, emerged. This prompted a decision from U.K.'s vaccines advisory body to limit dosing of Astra Zeneca's COVID-19 vaccine to people who are over 30. Following that decision, the U.S. CDC and FDA called for pause in distribution of the JNJ COVID-19 vaccine due to a few cases of the clotting disorder. In particular, JNJ's vaccine, due to its single shot course and less onerous storage requirements, is critical to the worldwide vaccine strategy, especially in developing nations. While the incidence of these rare adverse events could fuel skepticism, we believe the reintroduction of the JNJ vaccine along with guidelines on how to appropriately identify and treat thrombotic thrombocytopenia, will ultimately be accepted by the populous. Meanwhile, dosing continued apace with the mRNA vaccines produced by Pfizer or Moderna.

We continue to see exciting innovative opportunities in health care, whether in drugs, medical devices, or care delivery models. During the quarter, we added to our exposure in small cap biotechnology and medical devices/diagnostics companies. Our alpha short positions are concentrated on early winners from the pandemic and companies with greatest potential adverse impact from corporate tax reform.

Fund Performance

Given heightened market volatility, we decreased our net exposure during the quarter. Positive contributions from Health Care Providers & Services, Health Care Equipment, and Health Care Technology benefitted the Fund, while our positions in Biotechnology and Pharmaceuticals detracted.

With a growth/value rotation underway, our small cap biopharma exposure was most impacted, though there were some bright spots. Intra-Cellular Therapies (ITCI) focuses on developing small molecule drugs for neuropsychiatric and neurological disorders. ITCI received FDA approval for lumateperone (Caplyta) in December 2019 to treat schizophrenia in adults. Then during the height of the COVID-19 lockdowns in March

2020, Caplyta had a successful commercial launch. During this past quarter, Caplyta sales bested estimates and the company submitted for bipolar label expansion, with a decision expected later this year. One of our top biotechnology holdings, **Acceleron Pharma (XLRN)** engaged in the discovery, development, and commercialization of therapeutics to treat serious and rare diseases. Its Reblozyl is used to treat adult patients with beta-thalassemia and transfusion-dependent anemia. This drug has been approved for commercial use in the U.S., Europe, and more recently in Canada. The company reported strong Reblozyl sales in the fourth quarter and shares moved higher.

One of our weaker biopharma positions was **Ascendis Pharma (ASND)**, a developer of treatments for rare indications in endocrinology and oncology. Aside from the market rotation away from growth this quarter, ASND shares were impacted by general concerns of a COVID-19 related slowdown in FDA approval decisions. We continue to believe the company remains on track for an FDA decision in June regarding its pediatric growth hormone deficiency treatment, which could lead to a commercial launch in the second half of the year. **Blueprint Medicines (BPMC)** is a precision medicine company focused on genetically defined cancers and rare diseases. The company continues to actively advance its pipeline, having submitted a supplemental new drug application to the FDA for AYVAKIT for the treatment of advanced systemic mastocytosis, a rare disease in which there is uncontrolled growth and accumulation of mast cells. As with our position in ASND, weakness in BPMC is in part due to investor skittishness around the FDA's ability to meet intended approval deadlines. Our conversations with management bolstered our confidence in the pipeline and that regulatory timelines are on track. Therefore we added to our position on price weakness.

The fund fared better in Health Care Equipment & Supplies. One of our top holdings, **AtriCure (ATRC)** provides innovative technologies for the treatment of Atrial Fibrillation (AFib) and related conditions. Its Isolator Synergy Ablation System is the first, and currently only, FDA-approved surgical device for the treatment of persistent AFib and longstanding persistent AFib. The company also expects a decision from the FDA soon on whether to hold an advisory committee panel or issue a possible approval for its CONVERGE procedure. Once approved, CONVERGE could present a nice runway for future growth. ATRC preannounced in January and guided conservatively, citing lingering COVID-related pressures on procedure volumes. However, there was a strong volume uptick in February, which ARTC expects to continue. We initiated a position in **DENTSPLY Sirona (XRAY)**, the world's largest manufacturer of professional dental products and technologies. The company had been at the early stage of a new product cycle when the pandemic hit. At this point, we foresee the twin growth drivers from a resumption of dental visit volumes and XRAY's new products for digital imaging and in-office implant milling.

Health Care Providers & Services sub-sector also proved to be a source of alpha in 1Q. **AmerisourceBergen (ABC)** distributes pharmaceutical and medical products to pharmacies, hospitals, and other health care providers. ABC's shares jumped at the start of the year when the company announced the acquisition of the Alliance Healthcare business from Walgreens Boots. Management increased fiscal year guidance as this deal should improve near-term cash flows and expand its presence overseas, without weighing on ABC's other operations. That was seen later in the quarter when ABC reported better-than expected revenues and earnings and raised fiscal year guidance again. Small cap diagnostics company, **Guardant Health (GH)** is a leader in the burgeoning liquid biopsy space. GH reported a beat for the fourth quarter but guided 2021 revenues below consensus due to the impact from COVID-19. We believe the guidance was conservative and added to our position when the share price pulled back in March; and benefitted from the subsequent share price recovery.

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 may prompt efforts by governments and companies to ensure greater resiliency and to increase domestic production. Our objective as a fund is to deliver consistent positive returns in any market and we remain focused on achieving that goal through identifying innovations and parsing the bottom-up information that reflects the abilities and opportunities for our positions.

As always, we are available for any questions you might have as we endeavor to protect and grow the assets you have entrusted with us. Meanwhile, we hope that you, your family, and your colleagues remain in good health.

Best Regards,

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Lead Portfolio Manager	Co-Portfolio Manager

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