TIMESSQUARE
CAPITAL MANAGEMENT, LLC

U.S. All Cap Growth Strategy

Representative Commentary — 2Q21

Performance

			Annualized			
	2Q21	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
U.S. All-Cap Growth Composite (Gross)	11.56%	36.85%	23.89%	24.15%	17.98%	17.25%
U.S. All-Cap Growth Composite (Net)	11.36%	35.85%	22.98%	23.24%	17.12%	16.38%
Russell 3000® Growth Index	11.38%	43.00%	24.45%	23.30%	18.14%	17.53%

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 global equity markets continued to treat the pandemic's initial economic toll as a passing blip. In the second quarter, there were meaningful gains with many indexes approaching—or well into—double-digit gains for the first half of 2021 (not to mention annualized double-digit gains since the pre-pandemic highs of February 2020). There was a shift in market preferences, with greater rewards accruing to the growth and large capitalization indices in the second quarter, compared with the dominance shown by value and small capitalizations earlier in the year.

Global economic activities continued unabated in the quarter, with the only hindrance from depleted inventories or higher labor costs. Although the rates of growth slowed slightly in June, measures of economic expansion for manufacturing and services worldwide reached peaks mid-quarter that had not been seen in 15 years. The unflagging demand pushed commodity prices to their highest levels since 2014, which included significant price gains for oil and natural gas. Among growth stocks, it was unsurprising that Energy remained the dominant economic sector. The market also preferred riskier stocks and growth at any price.

Amidst this environment, the portfolio slightly outperformed the Russell 3000® Growth Index for the second quarter. Significant outperformance within Information Technology was offset by relative weakness within Consumer Discretionary, Communication Services, and Health Care.

Within the Consumer Discretionary sector, shares of **Amazon.com** were up 11% for the quarter, beating the index's average sector return of 7%. The online retailer and cloud-based service provider reported solid first-quarter results, beating estimates on revenues across all operating segments, along with better than expected operating profits. Moreover, the company's cloud segment, Amazon Web Services (AWS), experienced a reacceleration in revenue growth, aided by a broad range of customers. Well-known consumer brand, **Airbnb, Inc.**, is a global online alternative accommodation booking platform, focused on home sharing. The company reported strong quarterly results, with gross booking value coming in well above consensus estimates. On the first quarter call, management discussed robust consumer demand for alternative accommodations and stated the business is essentially back to pre-Covid-19 levels. This strength comes despite weak urban and international market activity. Shares were down -19% during the quarter and we added to the position.

Information Technology was our strongest performing sector for the quarter. Shares of **CrowdStrike Holdings Inc.** were up 37%, outperforming the index's average sector return of 14% during the quarter. The provider of cloud-delivered solutions for next-generation endpoint protection reported a solid first quarter, beating analyst estimates on annual recurring revenue (ARR) and operating margins. Moreover, the company reiterated the growing need for cybersecurity, as criminal ransomware attacks continue and have become a major source of economic damage for companies with substandard cyber defenses. CrowdStrike is a critical safety element for protecting against these cyberattacks, creating a favorable demand backdrop that will not abate anytime soon. Returning 6% during the quarter was **Paylocity Holding**

Corp., a provider of cloud-based payroll and human capital management software for medium-sized organizations. The company reported solid earnings and increased guidance for their next fiscal quarter. Management cited improved employment activity within existing clients and improving new sales later into the quarter. While shares underperformed the index's average sector return, we added to our position as the name continues to benefit from economic reopening activity. **Bill.com Holdings Inc.,** offers cloud-based software solutions to simplify, digitize, and automate complex back-office financial operations for small and mid-sized businesses. The company reported an upbeat quarter, handily beating expectations and raised guidance on strong momentum in its business. Additionally, management confirmed rumors around acquiring Divvy, a spend management software company. While Bill.com continues to show potential in the large and growing payments market, we exited our position due to valuation concerns and allocated funds into higher conviction ideas. Shares were down -3% while we held the name this quarter. Better results came out of **NVIDIA Corporation**, which designs and manufactures computer graphics processors, chipsets, and related multimedia software. Shares surged 55% as the company reported another explosive quarter with impressive growth in datacenter and gaming enabling them to beat analyst estimates. Moreover, the company raised second quarter revenue guidance driven by steady demand. Management explained that the product cycles of its RTX graphics cards for gaming, and A100 supercomputer CPUs for datacenters, have just started and that they see further growth through the rest of the year. We trimmed our position into strength. **Paymentus Holdings, Inc**., is a leading provider of cloud-based bill payment technology and solutions that enable businesses to collect recurring bill payments directly from their customers. During the quarter we participated in the company's Initial Public Offering, as we view the company as a differentiated pure-play consumer bill payment provider with high revenue visibility and stable customer relationships. However, when its shares began trading above our target price, we exited the position with a final return of 42%, making it our largest contributor for the quarter.

Turning to our only name in the Consumer Staples sector is **Sysco Corporation**. The company distributes food products to over 650,000 locations, including restaurants, healthcare, and educational facilities, lodging establishments, and other foodservice customers. The company reported a mixed quarter, where lower than expected revenues caused a contraction in gross profit margins. However, commentary around reopening of the economy remains positive, as management continues to build up staff and inventory to meet higher demand. We believe the company is on the cusp of material acceleration in the business, driven by favorable economic tailwinds and strong market share gains throughout the Covid-19 pandemic. We added to the position, as shares were down -1%, underperforming the index's average sector return of 4% during the quarter.

Within the Industrials sector, shares of **Waste Connections Inc.** were up 11% for the quarter, outperforming the index's average sector return of 7%. The solid waste service provider reported an upbeat first quarter, where revenues and free cashflow came in above consensus. Better than expected revenues were driven by an increase in solid waste pricing, along with a lower decline in year-over-year solid waste volumes. Moreover, strong free cashflow was aided by lighter than expected capital expenditures. Up 1% but underperforming the index's average sector return was **AZEK Company Inc.** a manufacturer of premium building products that replace traditional materials and require less maintenance. The company reported a strong fiscal second quarter, where they beat consensus across all metrics and raised guidance for fiscal 2021. However, operating leverage remains a bit challenged vs. expectations as the company catches up on resin price/cost and absorbs elevated plant startup costs in the second half of 2021. While we initially trimmed our position once shares neared our price target, we later participated in the company's secondary offering, creating a favorable opportunity to add into price weakness, finishing the quarter with a larger position than at the start.

Within Financials, shares of **Lending Tree Inc.** finished flat at 0%, underperforming the index's average sector return of 11% for the quarter. The company runs an online marketplace for consumers seeking loans and other credit-based products. The company reported better than expected first quarter earnings, driven by strong revenues in their home business segment. Their highest margin Consumer segment, which was most negatively impacted by Coivd-19, continues to show steady signs of recovery. The company also announced a management reshuffle, with the biggest change being the move of current CFO, JD Moriarty, to President of LendingTree Next, which will focus on the growth initiated from their core marketplace. We added to the position during periods of price weakness throughout the quarter. New to the portfolio is **Synchrony Financial,** a leading consumer financial services company and the largest provider of private label credit cards in the U.S. based on sales volume and receivables. The company also offers dual cards, commercial credit products and installment loans. We believe the company is well positioned in the consumer lender environment due to its profit-sharing model, strong capital levels, and an attractive merchant partner portfolio.

Within Communication Services, the portfolio struggled to keep pace with the index's average sector return of 16% for the quarter. Returning to the portfolio is family entertainment and media giant, **Walt Disney Company**. We believe the company will outperform competitors as a result of strong direct-to-consumer (DTC) subscriber growth through Disney+, Hulu and ESPN+, along with a recovery in Disney's studio and Parks Experiences. Shares were down -7% since we initiated the position. Offsetting this weakness was social media operator, **Facebook Inc.** The company reported solid first-quarter earnings, where ad revenues grew well above analyst estimates, leading to better than expected results across the board. Management noted that ad revenue growth had accelerated from the prior quarter, driven by broad-based strength across advertiser verticals, highlighting ecommerce, retail, and consumer packaged goods. Moreover, the company expects

stable to modestly accelerating growth rates next quarter, as easier comparables from one year ago outweigh the expected negative impact from the implementation of Identifier for Advertisers (IDFA) changes in Apple's iOS 14.5. Shares finished 18% for the quarter, where we trimmed our position into strength.

The Health Care sector was an area of relative underperformance for the quarter. **Acceleron Pharma Inc.**, is a biopharmaceutical company focused on rare diseases. Its Reblozyl therapy is used to treat blood disorders such as Beta thalassemia and Myelodysplastic syndrome. While first quarter sales of Reblozyl were below consensus projections, the company announced that the therapeutic is being tested for potential label expansion. Moreover, the company has an encouraging pipeline of various other drugs, such as Sotatercept, a treatment for pulmonary arterial hypertension. While the thesis has remained unchanged, we decided to exit the name and deploy capital into higher conviction ideas. Shares were down -10% while the position was held, underperforming the index's average sector return of 10%. **ChemoCentryx, Inc**. is a biopharmaceutical company focused on the development and commercialization of new medications targeted at inflammatory disorders, autoimmune diseases, and cancer. Shares dropped following the release of Food & Drug Administration Advisory Committee documents which raised concerns about whether a single-phase III trial was sufficient to make a risk/benefit determination for Avacopan in treating autoimmune vasculitis. As such, the path to drug approval is far from certain and we decided to liquidate the position. Shares fell -77% while we held the position, making it our largest detractor for the quarter. Up 27% for the quarter is **IQVIA Holdings Inc.** The company provides information and technology-enabled services to the healthcare industry and includes the world's largest contract research organization and a leading commercialization support business. First quarter results were well above consensus, beating across all metrics. Strong revenue growth was driven by the company's ability to execute efficiently with the re-acceleration of clinical trials, along with continuing to grow its Technology and Analytics Solutions segment. Management also noted backlog growth in their Research and Development Solutions segment, driven by broad-based demand from Covid-19 projects that should continue well into 2022. While their prospects appear favorable, we decided to exit the name due to valuation concerns and allocated those funds into **ICON plc**, a clinical research organization.

Though TimesSquare continues to operate remotely outside of our NYC office, we expect to have a gradual return in the fall. In the meanwhile, we are very pleased to announce that Reuben Scherzer joined TimesSquare in June as a Research Analyst. Reuben is responsible for coverage of Europe and other non-U.S. regions within the Developed, Emerging, and Frontier Markets.

Heading into the second half of 2021, market returns continue to anticipate economic growth as their focus turns to 2022 and the pain of 2020 fades. However, the amount of growth already reflected in current valuations is debatable. Higher vaccination rates bolster the outlook, though the appearance of COVID-19's Delta variant generates anxiety. The pace of inflation means the transitory period may last longer than some expect, though the Federal Reserve seemed less concerned about inflation as much as beginning internal discussions on tapering its monetary easing stance. All told, we see the typical mixture of opportunities and risk that we as active investors seek to balance in our bottom-up assessments. As always, we are available for any questions you might have as we endeavor to protect 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.

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Composite & Performance Disclosure:

Performance is measured against the Russell 3000® Growth – a market capitalization-weighted index that measures the performance of those Russell 3000® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell 3000® Growth Index, are based on gross-of-fee returns. Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto.

This composite invests in stocks with market capitalizations generally above $2.0 billion at time of purchase. Portfolios will hold approximately 35 securities. The process is fundamental research driven. The investment style is growth. Historical turnover has averaged 99% per year. Composite inclusion threshold $200,000. Fee basis is 75 basis points. Composite creation date is January 2, 2008.

Effective 04/01/2015, TimesSquare removes accounts from this composite when significant cash flows occur. A significant cash flow is defined as an external flow that exceeds 10% of the composite's market value on the day of the cash flow. Effective 01/01/2017, the significant cash flow policy has been removed.

The performance figures shown are calculated in U.S. dollars on a size-weighted basis and reflect the reinvestment of dividends and other earnings, and the deduction of brokerage commissions and other transaction costs. Performance is provided on a gross basis (before the deduction of management fees) as well as net of the highest management fee of 0.75% charged by TimesSquare to separately managed institutional accounts in this composite. Investment advisory fees generally charged by TimesSquare are described in Part 2A of its Form ADV. To illustrate performance net of fees, assume $20,000,000 is placed under management for ten years and sustains 10% annual gross return for each year during this period. If an advisory fee of 0.75% of average assets under management is charged per year, for each year of the ten-year period, the resulting annual net return would be 9.25%. The ending dollar value of the account would be $48,444,497, as compared to $51,874,849 if the advisory fees had not been deducted.