TimesSquare Capital Management, LLC

Emerging Markets Small Cap Strategy

Representative Commentary — 4Q21

Performance

			Annualized		
	4Q21	**1YR**	**3YR**	**5YR**	**Since Inception (1/1/2017)**
Emerging Markets Small Cap Composite (Gross)	-0.08%	11.41%	18.99%	13.50%	13.50%
Emerging Markets Small Cap Composite (Net)	-0.36%	10.21%	17.71%	12.27%	12.27%
MSCI Emerging Small Cap (Net) Index	1.33%	18.75%	16.44%	11.46%	11.46%

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.

2021 began with the expectation that vaccinations would reduce COVID-19's grip on the economy and our collective psyche. For a time, we progressed along that course and looked forward to a return to normal by the summer. However, varying levels of vaccinations, changing mandates, and the late-year emergence of new COVID variants, created a sense of "déjà vu all over again" by the close of the year. More consistent in 2021 was the steady increase of global inflation for consumers and producers, typically coupled with ongoing supply chain woes. Despite that, global equity markets posted double-digit gains for the year, led by the U.S. with 26%, followed by developed non-U.S. at 11%, though emerging markets dipped by -3% (however, small cap emerging markets *increased* by 19%).

In the final quarter of 2021, the focus was on COVID-19's Omicron variant that was identified in November. The equity markets briefly retreated that month, though gains in October and December more than offset that in most geographies. Market volatilities briefly spiked in late November, though soon ebbed to levels near their 12-month lows. Similarly, commodity prices momentarily fell mid-quarter, before reapproaching their highs. Global emerging market equities underperformed their developed peers.

Brazil faced a renewed surge of fiscal worries and fears of a resurgent pandemic weighed on the market. In China, concerns related to recent regulatory actions dragged on Chinese growth across several economic sectors. Contrary to the tightening of monetary policy by many central banks around the world, the People's Bank of China (PBOC) announced more supportive measures amid a slowing economy.

Within the emerging markets universe, smaller companies outperformed their large cap peers while Value outpaced Growth. Among emerging markets small cap stocks, Growth outperformed Value, Information Technology and Communication Services were the top performing sectors, while Energy, Health Care, and Consumer Staples lagged. The portfolio underperformed the MSCI Emerging Markets Small Cap Index for the quarter. Relative weakness in Latin America and EMEA detracted from performance, while Asia and Frontier Markets showed relative strength.

Regional Performance: Asia

Within the region, our holdings in Korea and Greater China outperformed, while India lagged.

In 2021, Chinese equities underperformed global equities and contributed to a significant portion of the underperformance of emerging markets equities versus developed markets. The price dislocation created opportunities to add to quality businesses with attractive valuations and we increased our positions in A-Living Smart City Services and Chinasoft International. Property management company **A-Living Smart City Services** slid -53% due to the negative sentiment in the Chinese real estate sector. However, the company continues to see solid organic growth and strong momentum in its expansion into housekeeping, childcare, and community retail businesses. **Chinasoft International** is one of the largest Information Technology services providers in China. On December 23rd, Chinasoft announced the transfer of their stake in its subsidiary which focuses on government business related to the Harmony OS. As the market mistakenly assumed Chinasoft was selling its Harmony OS development unit, Chinasoft's share price declined -25%. On the other side, medical diagnostic company, **Dian Diagnostics**, recorded a 15% gain for the quarter after reporting beats on both top and bottom lines. We trimmed our position on this strength.

Across the Taiwan strait, we added to our position in **eCloudvalley Digital Technology**, the leading Amazon Web Services Cloud Managed Services Provider for the Greater China region. Shares tumbled -23% on concerns over slower revenue growth and the withdrawal of its application to be listed on the main Taipei exchange. We believe the sentiment was overblown as the volatility in reported revenue growth was due to lower revenues from its lower margin Chinese business and did not impact the company's profitability. Surging 75%, the portfolio's top contributor was leading supplier of integrated circuit testing interfaces **WinWay Technology**. WinWay was reinitiated in the portfolio during the quarter as they regained good business visibility into 2022. With the expansion of their client base, they are on the path to further replace lost orders from its Chinese clients. A primary supplier to leading North American all-terrain vehicle (ATV) brand Polaris, **AEON Motors** is also the second largest electric scooter manufacturer in Taiwan. During the quarter, AEON announced a line of specialized e-scooters for logistics companies in partnership with momo.com (also a portfolio holding) and local delivery company Lalamove. Shares of AEON leaped 29%.

Hong Kong listed leading gaming peripheral producer **Razer** has been gaining share among gaming aficionados worldwide. With its strong rally during the quarter, we exited our position and booked a 59% gain for the quarter.
Leading Korean fried chicken franchise **Kyochon Food & Beverage** posted solid third quarter results. However, its share price retreated -13% as concerns over the Omicron variant mounted. Offering a brighter spot was **K Car Co., Ltd.**, Korea's largest platform service for used car sales. A key part of K Car's business operation is its K Car Data Driven Management System, which not only powers its online car buying system, but also allows K Car management to make better purchasing, pricing, and market decisions. Since its September IPO, doubts from institutional investors about its growth potential have abated. The online used car market in Korea is growing rapidly, and K Car should continue to increase its market share and narrow that market cap gap with global peers. Shares climbed 40% since they were added to the portfolio in the quarter. First added to the portfolio in September, we continued to build our position in **COWINTECH** during the quarter. The company engages in the manufacturing of automation systems and entered the battery material business through its recent acquisition of Top Material. The growth of the electric vehicle industry accelerated sales growth in COWINTECH's battery automation systems, and shares of COWINTECH jumped 24% during the quarter.

Indian financials came under pressure during the quarter. A leading investment banking firm in India, **JM Financial** reported inline quarterly results but saw its shares decline -23%. On the brighter side, leading logistic company **TCI Express** reported robust volume growth as business activities normalized. Share price jumped 40% and we trimmed into this price strength. During the quarter we initiated a position in **BSE Limited**, also known as the Bombay Stock Exchange. BSE was the first listed stock exchange of India, and its S&P BSE Sensex is India's most widely tracked equity index. During the quarter, the company reported strong performance driven by robust growth in equity cash turnover, mutual fund transaction, and IPO related income. BSE's share price ascended 51%.

Regional Performance: Latin America
Our holdings in Latin America detracted from performance.

Brazil dipped back into recession while its central bank stepped up tightening to fight double-digit inflation and Omicron was on the rise. These macro headwinds brought widespread weakness, which also impacted our holdings. Brazil-based software firm **TOTVS** reported a strong set of results despite the challenging macro conditions. Though the digitalization secular trend remains intact for its clients, its shares tumbled -21%. **Locaweb Servicos de Internet** is one of the country's leading web hosting platforms with a growing e-commerce and software-as-a-service platform. The stock sold off by -43% after the company reported lower-than-expected profitability. Notably, that miss was attributable to M&A activities as Locaweb continues to grow its total addressable market through acquisitions. We believe its long-term trajectory remains intact. We used the price dislocation to add to both positions.

With Omicron uncertainty, we exited our position in Mexican hotel operator **Hoteles City Express**. Shares were down -23% while they were held in the portfolio.

Regional Performance: EMEA
EMEA was another area of weakness for the portfolio. Turkey's leading e-commerce marketplace **D-Market** tumbled -49%. The company reported lower-than-expected revenue growth due to continued investment in its business last quarter. In subsequent conversations with management, they remained optimistic but then delivered another set of disappointing results. Having lost faith and with rising geopolitical concerns, we made our exit in November 2021.

Conclusion
Looking forward in 2022, this year brings another set of opportunities and risks. Globally, the current wave of

COVID-19 cases should ebb though the possibility of future variants may change its status from pandemic to endemic. In addition, the world will grapple with higher inflation—both from materials and labor costs—and a fragile global supply chain may also become an enduring feature of the economic landscape. Expectations for further monetary tightening may create headwinds for the equity markets, especially if new fiscal stimulus measures fail to take shape. However, the investment terrain always shifts, which is why ongoing reevaluations of bottom-up opportunities are critical and where we focus our energies. 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.

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.

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Composite & Performance Disclosure:

Performance is measured against the MSCI EAFE Small Cap (Net) Index. MSCI EAFE Small Cap (Net) Index is a trade or service mark of MSCI Inc. The MSCI EAFE Small Cap (Net) Index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada. 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 EAFE Small Cap (Net) Index, are based on gross-of-fee returns, including net reinvested dividends.

This composite generally invests in MSCI EAFE stocks with market capitalizations below $5.0 billion at time of purchase. Portfolios will hold approximately 70-75 securities. The process is fundamental research driven. Historical turnover has averaged 41% per year. Composite inclusion threshold $500,000. Fee basis is 100 points. The composite creation date is April 1, 2012.

This composite had a significant cash flow policy from April 1, 2015 to December 31, 2016. 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 standard fee schedule listed for this strategy during the period presented. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. TimesSquare's fee schedule is available upon request and may also be found in Part 2A of our Form ADV. 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 sustaining 10% compound gross total return. If an advisory fee of 1.00% of average assets under management is charged per year, for each year of the ten-year period, the resulting compound annual return would be reduced to 9.0%. The ending dollar value of the account would be $47,347,274 compared with the unreduced account value of $51,874,849.