TimesSquare Capital Management, LLC

Emerging Markets Small Cap Strategy

Representative Commentary — 1Q22

Performance

	1Q22	1YR	Annualized 3YR	5YR	Since Inception (1/1/2017)
Emerging Markets Small Cap Composite (Gross)	-7.11%	-3.24%	12.20%	9.42%	11.25%
Emerging Markets Small Cap Composite (Net)	-7.37%	-4.29%	10.99%	8.23%	10.04%
MSCI Emerging Small Cap (Net) Index	-4.33%	5.52%	11.92%	7.81%	9.96%

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.

In the first quarter of 2022, the market intensified its shift from Growth to Value against a backdrop of rising interest rates and COVID becoming an endemic. In March, Russia's invasion of Ukraine shook the world. In addition to the grave human toll, the ongoing assault sent oil prices surging toward 15-year highs, with similar spikes in other commodities. That led to cascading inflationary pressures in a global environment that remained beset by supply chain frailties. On top of these challenges, a new round of Omicron outbreaks in China led to lockdowns in its major cities. The current watchword is "tightening," whether referring to the belts on consumers with their spending, corporate balance sheets, or central bank quantitative monetary policies. On the last point, the Federal Reserve embarked on its well-telegraphed plan to increase the federal funds rate—though only by 25 basis points in March—and reducing the $9 trillion asset portfolio it amassed—soon at the steady rate of -$95 billion per month. That paralleled similar actions by the Bank of England, which increased rates for the third consecutive time, and the European Central Bank, who announced plans to end its bond buying sooner than expected. Some emerging market central banks followed the trend of policy normalization, with Brazil, Taiwan, Korea, and Hong Kong announcing rate hikes. On the contrary, more stimulus measures were announced during China's National People's Congress, instilling confidence in the market and supporting a rebound in Chinese equities towards the end of March. However, overall sentiment was dampened by several factors, such as Omicron, continued regulations targeted toward the technology sector, and investor worries over US repercussions from China's refusal to condemn Russia's invasion of Ukraine.

Economic activity began to climb in February, though the war in Eastern Europe quickly reversed that for manufacturing and service activities. However, while equity markets stumbled badly in January with one of the worst calendar year starts in some time, they began clawing their way up by March. For the quarter, U.S. equities fell -5%, somewhat better than developed non-U.S. markets at -6% and emerging markets at -7%.

Within the emerging markets universe, smaller companies outperformed their larger cap peers while Value outpaced Growth. Among emerging markets small cap stocks, Energy significantly outperformed while Communication Services, Health Care, and Information Technology lagged. Amidst this environment, the portfolio underperformed the MSCI Emerging Markets Small Cap Index for the quarter. Relative weakness was seen across different regions.

Regional Performance: Asia

Asia was our largest regional detractor. China and India saw the largest impact while our holdings in Southeast Asia held up well relative to the benchmark.

The dislocation in the Chinese market in early 2022 over COVID lockdowns and ADR delisting risk placed heavy pressure on the overall Chinese technology and health care sectors. We opportunistically added to our positions on price weakness. Falling -37% was one of the largest information technology services providers in China, **Chinasoft International**. The company's revenue outlook remains positive and they also benefit from the continued digitalization investment from local governments in China despite the macro headwinds. Shares of network security solutions and services provider **Venustech Group** declined -27%. Investors were disappointed by a lower-than-expected revenue guidance, an increase of R&D, and marketing expenses for new products. However, the company guided for solid net income growth, which shows Venustech's emphasis on profitability, rather than solely expanding their top line. **Shanghai Kindly Medical Instruments** engages in the research, development, and selling of cardiovascular interventional devices throughout China and international markets. Concerns related to Chinese health care stocks surrounding policy risk and pricing pressure weighed on the sector and led Shanghai Kindly down -30%. The company reported robust year-over-year revenue growth driven by a surge in sales of interventional medical devices, an expanding product portfolio, and effective expansion of its distribution network.

Across the strait, **Green World Fintech Service** is Taiwan's largest third-party payment operator, providing online payment processing services. The company enjoyed an online retail boom driven by the pandemic. Shares fell -51% for the quarter as the company listed their stock on a larger exchange in Taiwan, where short term speculators engaged in profit-taking after a strong rally in 2021. As the pandemic alleviates, lingering concerns over slower online sales also weighed on share price. We added to our position as we expect Green World's early entry in the market, as well as established business scale and brand will enable it to widen its lead over competitors and deliver above-curve growth. Leading global connector solutions provider in Taiwan**, BizLink Holding**, announced the completion of their LEONI Industrials Solutions business group acquisition from LEONI AG that will serve to further strengthen its presence in Europe. While fourth quarter results were slightly below estimates, Bizlink provided encouraging 2022 guidance driven by datacenter, electric vehicle, industrial segments. However, with ongoing raw material cost pressures in the near term, we decided to trim on strength with a 9% improvement in its share price. We initiated a position in generic pharmaceutical company, **Lotus Pharmaceutical**. Their R&D portfolio focuses on specialty and difficult-to-formulate generic products. Lotus reported impressive 2021 results and provided a solid 2022 outlook with many of its products gaining approvals around the world. In addition, the product portfolio continues to see a continuous migration to high margin oncology products. Shares of Lotus Pharmaceutical climbed 30% while they were held in the quarter.

South Korea's leading carrier-neutral Internet Data Center and its only carrier-neutral Internet exchange operator, **KINX** rebounded 8% and we trimmed on this price strength. After months of delay, the company began the construction of its new data center. The new data center is expected to significantly increase KINX's capacity and output. **Koh Young Technology** is a world leader in 3D measurement and inspection technology. The company reported in-line results, signaling a recovery from its higher-end automotive and IoT clients. However, shares corrected -22% after a significant run-up late last year.
Moving to India, shares of **Railtel** lost -29% for the quarter. RailTel is an Information and Communications Technology services provider that has the exclusive right of way in laying optical fiber cable throughout India Railway's rail network. The company's quarterly results were impacted by one-off charges and a decline in its revenue due to chip shortages. Given India's massive addressable market and the critical need for increased data infrastructure investment, we believe RailTel will see robust growth opportunities in its railway digitization venture along with its adjacent telecom / data infrastructure businesses. Sliding -36% was India's largest online business-to-business classified marketplace, **IndiaMART InterMESH**. They reported a disappointing quarter with sharp margin contraction due to higher labor costs. We believe the company will continue to benefit from India's digital adoption over the long term. In recognition of near-term uncertainties associated with RailTel and IndiaMart, we pared our exposure to both holdings. Delivering better performance was **BSE** (formerly Bombay Stock Exchange) and its 43% surge. The stock exchange reported strong revenue growth, driven by higher transaction revenues and book building fees.

Regional Performance: The Americas
The Americas was our top performing region. After the steep selloff last year, Brazil saw strong inflows to start the year.

Although macro challenges persist, Brazil housed some of the portfolio's top contributors. Rallying 49%, **TOTVS** is the largest SaaS provider in Brazil. The company reported a significant beat in its fourth quarter results and continues to show impressive operating trends, highlighted by strong growth in its management software business. We trimmed our position on price strength. After an eight-month hiatus, we re-initiated a position in **Grupo SBF,** Brazil's largest sporting goods retailer. In addition to reporting solid fourth quarter results, management presented a positive outlook for its core Centauro and the Fisia (Nike Brasil) operations. Share price ascended 22% while it was held in the portfolio this quarter.

Regional Performance: EMEA
Within the region, the portfolio benefitted from not having any Russian exposure but was hurt by being underweight in the Middle East and by stock selection in the region.
Opera is a leading internet brand in Sub-Saharan Africa and South Asia with a growing base of 350 million average monthly active users. The company leverages user-supported AI data tools to solve various inefficiencies in emerging regions and exploits the value gap between buyers and sellers. Opera reported a strong fourth quarter, but its shares sold off -31% due to a decline of monthly

active users and concerns about the impact from Russia/Ukraine. We exited the position due to the geopolitical overhang.

Climbing 20%, South Africa based **Transaction Capital** operates through three major segments: SA Taxi, Transaction Capital Risk Services (TCRS), and WeBuyCar (WBC). SA Taxi specializes in financial vehicle in the minibus taxi industry, TCRS provides debt collection services, and WBC is a platform for buying or selling used vehicles. We believe all three segments will remain defensive in the inflationary environment. In addition, supply chain disruptions could be supportive to WBC with the increased demand for used vehicles.

Conclusion

As events in Eastern Europe unfold, they create new risks with new global responses. At the same time, inflationary impacts are being widely felt in company margins and consumer pocketbooks, and central banks' period of monetary tightening may be anything but transitory. As long-time bottom-up investors, we understand the importance of having a steady hand on the tiller when navigating such waters, though recognize how the investment terrain constantly evolves. By combining those experiences and evaluations, we seek investments that may capitalize on new opportunities, may have become more attractive at lower valuations, or a blend of both. 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 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.