International Micro Cap Strategy

Representative Commentary — 1Q22

Performance	1Q22	1YR	Since Inception (1/1/2021)
International Micro Cap Composite (Gross)	-14.07%	-11.01%	-5.36%
International Micro Cap Composite (Net)	-14.33%	-12.03%	-6.45%
MSCI AC World Ex USA Small Cap (Net) Index	-6.52%	0.03%	4.44%

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 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. The current watchword was "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. Among the major economies, the Bank of Japan remained staunchly in the dovish camp. Stimulus measures were also announced during China's National People's Congress, supporting a rebound in Chinese equities towards the end of March. Nonetheless, global inflation continued to rise.

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 non-US universe, there were better returns for larger stocks than smaller capitalizations and value outperformed growth. Among the small cap stocks, value sectors such as Energy and Material sectors were propelled by the gains in underlying commodity prices. Longer duration sectors such as Communication Services and Information Technology pulled back on the risk of rising interest rates. Health Care and Consumer Discretionary sectors also lagged the broader benchmark.

Portfolio Performance Attribution

Amidst this environment, the International Micro Cap Portfolio underperformed the MSCI AC World ex USA Small Cap benchmark, where all regions saw relative weakness during the first quarter of 2022. Value outpaced growth in both the international large and small cap universe.

Regional Performance: Europe

Europe was the largest regional detractor for the quarter, where rising material costs and geopolitical unrest led to harsh sentiment, particularly in our industrial names. For the quarter, Sweden, Germany, Italy, and the United Kingdom underperformed, while Ireland saw relative strength.

Within Germany, **JOST Werke** is a Tier-1 manufacturer and supplier of mission-critical safety systems for the commercial truck industry. The company reported fourth quarter results that were broadly in line with consensus. Better than expected revenues came from higher steel prices being passed on to customers. However, profit margins were burdened by cost inflation and seasonal impacts. As a result, shares fell -28% for the quarter, where we trimmed our position as we anticipate near-term production bottlenecks, particularly on the original equipment trucking side. Better results came from **Friedrich Vorwerk**, a turnkey solutions provider that specializes in three distinct areas: natural gas, electric grids, and hydrogen. They offer solutions for pipelines and underground cables as well as plant engineering and construction, which are an essential part of the future for energy in Europe. After a challenging 2021 operating environment, the company reported strong fourth quarter results. While year-over-year sales fell -4% due to major project delays from unfavorable weather conditions, profitability was well maintained at the high end of analyst estimates. Moreover, management noted their order backlog is larger than expected, signaling an excellent growth trajectory going into 2022. Shares were up 30%, making it our top contributor for the quarter.

Relative underperformance came from our names in nearby Sweden, where rising interest rate concerns caused widespread multiple compression. The Nordic markets also experienced heavy selling pressure due to their proximity to Russia. **Troax Group AB** is a leading global supplier of area protection mesh panels for machine guarding, warehouse partitioning and property protection. The company reported fourth quarter results that were slightly below consensus, observing a negative impact from price increases on steel, packaging materials, energy, and freight. While management has been able to raise prices to offset input costs, there is a time lag which impacts margins in the near term. After doubling in 2021, shares fell -48%, making it our largest detractor for the quarter. **Inwido AB**, a leading window and door manufacturer in the Nordics, reported strong fourth quarter results, where top and bottom-line numbers beat analyst estimates. While the company has been able to offset some of the rising input material costs, management noted that it is difficult to forecast precisely how increased expenses for raw materials and transport will affect their markets in the near term. However, we expect the company will see continued strong demand for energy-efficient windows and doors, in line with Europe's increasing focus on sustainability in the longer term. Shares were down -23%.

In France, multinational market research and consulting firm, **Ipsos SA,** finished up 7% 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 company reported an overall strong fourth quarter, finishing an impressive 2021 where all regions showed healthy organic growth. Moreover, prudent control of staff costs and efficient online studies resulted in better-than-expected operating margins. Down -24% was **Chargeurs SA,** an industrial conglomerate that is a global leader in protective plastic films for fragile surfaces, garment interlinings, high-end combed wool, and museum project management consulting. The company posted strong fourth quarter results, where sales came in better than expected driven by strong demand in all operating segments. Despite solid results, shares were challenged by the Russian invasion of Ukraine, where the potential impacts could be felt in Protective Films regarding higher costs for polyethylene and to a lesser extent aluminum. However, Chargeurs has considerable pricing power, thanks to its leadership position and pass-through clauses imposed on customers.

Within the United Kingdom, **RWS Holdings plc** is one of the largest global language, IP support & localization services and technology companies. In 2021, investors were concerned about the departure of the company's CEO amidst a year of M&A integration. In 2022, despite short-term growth headwinds from the crisis in Ukraine resulting in slower IP filing activity, the new team laid out a solid organic sales growth outlook. However, this was overshadowed by their decision to increase capital expenditures into the fast-growing AI data annotation market. Consequently, management lowered 2022 forward guidance as margins will likely compress from the AI annotation investment. While shares were down -43% for the quarter, we felt this was a favorable opportunity to increase our position. New to the portfolio is **Clipper Logistics Plc**, a provider of value-added logistics services to the retail industry in the U.K. and Europe. Their business model is highly differentiated, working in collaboration with all retail partners, and offers faster growth than peers, being more heavily exposed to ecommerce and operating in a broader geographic area. Shares are up 18% since we initiated the position.

Over in Ireland, regional hotel operator **Dalata Hotel Group Plc** rose 4% as nearly all Covid-19 lockdown restrictions in Ireland and the U.K. were removed at the end of January. This resulted in a rise in bookings for the group, where occupancy rates nearly doubled the following month. Moreover, the company reported fiscal 2021 results that showed strong operating performance as the pandemic wanes.

Regional Performance: Japan

Japan was our second weakest region during the quarter. **Simplex Holdings** is a leading systems developer and consultant. A unique company that recently "relisted" on the Tokyo bourse, Simplex has aggregated over 25 years of source code and developed an impressive library of proprietary content for clients. The company reported an unexpected slowdown in third-quarter orders, as large-scale integration projects at several major banks have winded down. We spoke with management and gained a better understanding of market trends, where the demand environment remains healthy given the corporate need for digital transformation software projects. Shares were down -35% and we added to the position. Better results came from **MedPeer, Inc**, 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. The company reported an overall strong quarter, where sales and operating profits came in better than expected. Management noted that while the Covid-19 spread may have run its course, drug manufacturers' marketing will continue to shift from face-to-face to web-based activities. As a result, shares were up 6% during the quarter and we added to the position. **Zuken Inc.** is a provider of open and scalable computer-aided design (CAD) software for printed circuit boards (PCBs), multi-chip modules, wire harnesses and electric vehicle (EV) drivetrains for the automobile industry. The company reported in line fiscal third quarter results, where order growth came in better than expected. However, shares were challenged by the lack of upward revisions, consistent with management's conservative guidance. As a result, shares fell -22% during the quarter. New to the portfolio is **Organo Corp**., a leading Japanese water treatment engineering company with strong secular tailwinds from the semiconductor industry due to growing demand for ultrapure water and wastewater recycling solutions. We believe demand for Organo's solutions should continue to grow steadily, given the accelerating expansion leading semiconductor companies require. Moreover, we expect a recovery in demand from other end markets like industrials, utilities, restaurants, and medical/office customers as they begin to reinvest and expand operations post Covid-19. Shares are up 22% since we initiated the position.

Regional Performance: Asia/Pacific Ex-Japan, Americas and Middle East

There were mixed results from our names in Asia Pacific Ex-Japan during the quarter. Within Australia, **Telix Pharmaceuticals Ltd.**, is a biopharmaceutical company engaged in the development and commercialization of several clinical-stage oncology assets. During the quarter, Telix partner Novartis received approval for their own gallium-based imaging agent for prostate cancer, creating increased competition and potentially reducing pricing power. We decided to exit and deploy funds into new ideas, as the Telix investment thesis had changed. Shares were down -40% when we sold during the quarter. A better performer, and new to the portfolio was **APM Human Services**, a leading human services provider with a focus on disability and employment. The company is well-placed to benefit from the rise in government spending on unemployment, disability, and aged care. The company reported better than expected operating results, driven by strong growth in Australia, where a tight labor market drove better job placement outcomes in its employment services business. The company also benefitted from increased demand for vocational training and mental health support services. Shares were up 17% since we purchased the name.

Within Canada, **Evertz Technologies** is a provider of infrastructure hardware and software for the broadcast industry. The company reported solid fiscal third quarter results that beat analyst estimates, along with growth in orders from rising customer demand. However, the stock reached our price target and we decided to exit the name. Shares were up 19% while we held the position.

In the Middle East, relatively weaker results came from our only holding in the region, **Camtek Ltd,** an Israel-based technology hardware provider focused on inspection and measurement for the semiconductor equipment industry. Despite delivering fourth quarter results that were largely in line with estimates and encouraging forward guidance, investors perceived this as not good enough after experiencing strong sales and EPS growth in 2021. As a result, shares fell -34% during the quarter.

Regional Performance: Emerging Markets

The Emerging Markets experienced relative weakness this quarter driven by stock selection in the Americas, though that was slightly offset by strength in Asia.

Within Taiwan, **Green World Fintech Service** ("ECPay") is the country's largest third-party payment operator, providing online payment processing services. The company enjoyed an online retail boom driven by the pandemic. As the pandemic alleviates, concerns over slower online sales growth drove its shares down -51%. 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 acquisition of LEONI Industrials Solutions business group from LEONI AG 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, and 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.

In nearby Korea, **Kyochon Food & Beverage Co., Ltd.** is the country's leading fried chicken franchise. The company reported weaker than expected fourth quarter results, where revenue growth came in lower than expected and raw material inflation within the restaurant sector caused meaningful margin compression. We decided to exit the position as Kyochon will likely experience prolonged difficulty in keeping up with rising raw material costs, particularly in an area where overall consumer spending remains fragile. Shares were down -10% while we held the name. Within Indonesia, we initiated a position in **PT AKR Corporindo**, which engages in the trading and distribution of chemical and petroleum products. In addition to its fuel distribution business, the company benefits from land and development-related revenues that are tied to domestic development of alumina and nickel smelters to support growing industries like EVs. Shares are up 22% since we purchased the name.

Over in Brazil, **Lojas Quero-Quero (LQQ)** is the country's leading home improvement chain. It is a "unique species" in the Brazilian retail environment, with a store model that caters to small cities in the country, where professional home improvement competitors have limited presence. After making the prudent decision to sell LQQ last October to limit downside risk from Brazil's troubling economic situation, we reinitiated our position near the end of this quarter. We bought the name after gaining greater clarity on the company's operating environment, where they will be able to pass through higher funding costs for consumer credit operations. Shares are up 32% since we initiated the position.

Conclusion

As events in Eastern Europe unfold, they create new risks with new global responses. At the same time, central banks launched a period of monetary tightening that 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.

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.