TimesSquare Global Health Care Fund

To our Investors,

As we mark the two-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 31, 2022, the Fund's net performance was (-3.93%) for the first quarter/YTD and +21.70% cumulative since inception (April 1, 2020).

In contrast to 2021, when the market shrugged off rising interest rates, concerns over inflation and the Fed's response have dominated sentiment in 2022. This led to a tough January for the fund, but we quickly tightened positioning and reduced our growth factor exposure, recovering nearly 200bps throughout the balance of the quarter. We mainly adjusted our net and factor positioning by increasing our short exposure because we remain committed to investing in innovative growth companies. With the trajectory of interest rates unlikely to change anytime soon, we are cognizant of the need for stocks to have near-term catalysts and are avoiding longer-tail growth stories.

Overall, the healthcare sector modestly outperformed the broader market during 1Q, with a return for the MSCI World Health Care Index of (-3.36%) % vs (-5.15%) for the MSCI World Index. Unsurprisingly, the outperformance of healthcare was driven by the more defensive subsectors of pharma and managed care. Biotech, especially small cap biotech, continued to struggle mightily, with the XBI down (-19.7%) in the quarter. This historically poor quarter for biotech followed a tough 2021, where the XBI lost (-20.5%). The lack of a bid has frozen the capital markets for biotech and has spilled over into the biopharma supply chain, namely the CROs and life science tools subsectors.

If we isolate the performance of small cap health care, where we tend to focus our attention, health care dramatically underperformed with the MSCI World Health Care Small Cap index returning (-14.07%) vs the MSCI World Small Cap Index of (-6.50%). As mentioned above, this reflects the poor performance of biotech. We reduced our net exposure in biotech in the quarter, primarily by increasing our hedges. We continue to believe our focus on innovative biotech companies with a clear path to commercialization will drive alpha.

As a Fund, our approach and long-term view is unchanged. We continue to pursue investments in companies driving healthcare innovation. We believe the greatest long-term alpha will be achieved by identifying these disruptive companies at an early stage.

1Q 2022 Commentary

Aside from the macro concerns surrounding inflation and interest rates, the healthcare sector is still hampered by Covid, with the omicron variant further delaying the recovery in nursing labor and supply chains. While tragic, the war in the Ukraine is more of a macro concern, as healthcare is fairly insulated from direct effects. The only portfolio change we made directly tied to concerns about the war was to sell our dental exposure due to the heavy European exposure.

As mentioned above, we have reduced our net exposure in reaction to the increased volatility of the market and our expectation that the valuation reset for growth stocks is unlikely to yield until interest rates have peaked. In addition, we have added positions that would be insulated from a recession, since the Fed has not proved adept at executing a soft landing. To that end, we are focused on companies that derive a greater percent of revenue from Medicare rather than commercial insurance. We also added HealthEquity (HQY) in the quarter because their custodial assets will benefit from higher interest rates.

While biotech has been a drag to performance for the past year, we are maintaining a net long position because we remain confident that our focus on commercial assets will outperform the more speculative, earlier stage assets littered throughout the XBI. We added Legend Biotech (LEGN) to the portfolio, ahead of their approval for Carvykti to treat multiple myeloma. Given the valuation reset and the need for large biopharma to replenish their pipelines, we are hopeful that M&A will return. We are also holding out hope that the ASCO conference coming up at the end of May can return to being a catalyst for the space.

Our enthusiasm for investing in innovative healthcare is unchanged. We believe the recent volatility and risk-off sentiment has opened attractive entry points, particularly into growth stocks that have been punished beyond what their fundamentals would imply. However, since we know valuation dislocations can last a long time, we are being disciplined by limiting our portfolio additions only to names with near-term catalysts. Our alpha short positions continue to be focused primarily on companies that derived an extreme benefit from the pandemic.

Fund Performance

As the market volatility seen in 2H21 continued into 2022 coupled with the underperformance of the small cap healthcare market during the quarter, we decreased our net exposure. We made some adjustments to our Biopharma and Life Sciences Tools sector exposure and added to Healthcare Equipment & Supplies and Healthcare Technology. Positive contributions came from the Fund's stock selection in Pharmaceuticals and Healthcare Technology, while Healthcare Providers & Services and Biotech were the largest detractors.

Intra-Cellular Therapies Inc (ITCI) was the largest contributor to performance during the quarter. ITCI focuses on developing small molecule drugs for neuropsychiatric and neurological disorders. In December 2021, ITCI received FDA approval to expand the Caplyta label to included bipolar 1 and 2 as both a monotherapy and adjunctive therapy. Caplyta is differentiated from other atypical antipsychotics as it has a significantly more favorable safety profile. Investor focus has been on robust script growth indicating a strong Bipolar launch. We see a market opportunity for Caplyta of greater than $2B in currently approved indications and view street estimates as low for the remainder of 2022 and beyond.

AmerisourceBergen (ABC) was second largest contributor to performance on the long side during the quarter. AmerisourceBergen distributes pharmaceutical and medical products to pharmacies, hospitals, and other health care providers. ABC's shares were +16.4% through 1Q22. The key events in the quarter were raised F22 guidance on the F1Q22 call and the finalization of the global opioid settlement. As the impact from Covid-19 continues to wane, we like pharma distribution for the recovery trade and see the group as fairly well insulated from the broader economic inflation. We continue to believe ABC is uniquely positioned among the pharma distributors due to its greater mix of specialty pharma distribution.

Blueprint (BMPC) was the biggest detractor from performance during the quarter. A constellation of events have weighed on BPMC shares including disappointing 4Q sales for Ayvakit and a leadership change. The early disappointment of Ayvakit in advanced systemic mastocytosis led us to re-evaluate our assumptions as we approach mid-year indolent systemic mastocytosis data. We have exited the position.

Aveanna Healthcare (AVAH) was the second biggest detractor from performance during the quarter. AVAH is a leading, diversified care provider to medically complex, high-cost patient populations through its pediatric home health, adult home health and hospice, and medical solutions businesses. Q4 2021 results were slightly below Street projections, primarily driven by lower volumes in the Private Duty Segment due to Omicron and labor constraints. Due to volume constraints in AVAH's PDS business, along with the elevated wage pressure seen across the entire home health landscape we continued to trim our position during the quarter.

Conclusion

2022 began with concerns over another wave of Covid. While the Omicron surge subsided quickly, macro worries have dominated trading. Concerns over the Fed's willingness to raise rates aggressively to get inflation in check have continued to hamper growth equities. We do not expect sentiment to turn in the near term. As such, we have reduced our net exposure and eliminated speculative, early-stage assets from the portfolio. We are focused on commercial stage businesses in the current environment. On the short side, we continue to see opportunity in healthcare providers and business that derived outsized benefit from the pandemic.

Longer term, our views are unchanged. Healthcare remains one of the most predictable areas of growth in the economy. We continue to believe in innovation and expect scientific breakthroughs that drive change in healthcare will attract investment. We are hopeful that M&A will return in 2022 as the combination healthy large cap balance sheets and constrained capital markets will drive matchmaking.

Our objective as a fund is to deliver consistent positive returns in any market. We aim to achieve that goal by identifying healthcare innovation and building a diversified healthcare portfolio through fundamental bottoms-up research.

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,

David Ferreiro, Ph.D.   Bret D. Jones, CFA
Lead Portfolio Manager   Co-Portfolio Manager

General Disclosures

This document, which is being provided by TimesSquare Capital Management, LLC ("TimesSquare") 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. This document is not intended for public use or distribution. While all the information prepared in this document is believed to be accurate, TimesSquare makes no express warranty as to the completeness or accuracy and is under no obligation to update any of the information, nor can it accept responsibility for errors, appearing in the document.

There is no guarantee that the investment objective will be achieved. Moreover, past performance should not be construed as an indicator of future performance. Any projections, market outlooks or estimates in this document are forward looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the fund. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur.

Performance Disclaimer

The Net Performance is an estimated and unaudited report of the net returns based on investments that do not incur a management fee or an incentive allocation. Series A/Class A Shares will be subject to a 1.5% per annum management fee and a 20% annual incentive allocation, which would result in lower net returns than the investments currently in the Fund. The Investment Manager has elected to bear certain expenses that the Fund would otherwise bear pursuant to its governing documents, which results in higher net returns. The Investment Manager may determine to stop bearing such expenses at any time in its sole discretion.