TimesSquare Capital Management, LLC

Emerging Markets Small Cap Strategy

Representative Commentary — 2Q22

Performance

			Annualized		
	2Q22	**1YR**	**3YR**	**5YR**	**Since Inception (1/1/2017)**
Emerging Markets Small Cap Composite (Gross)	-15.30%	-28.27%	6.43%	5.20%	7.42%
Emerging Markets Small Cap Composite (Net)	-15.54%	-29.07%	5.28%	4.06%	6.25%
MSCI Emerging Small Cap (Net) Index	-16.41%	-20.72%	5.78%	3.48%	5.98%

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 second quarter, the "I"s had it: Interest rates and Inflation commanded the attention of the global markets. Central banks accelerated the pace of their quantitative tightening measures, though inflation stubbornly refused to slacken. The heighted levels of interest rates and inflation punished the equity markets with double-digit negative returns for the quarter, with the U.S. hit the hardest at -17%, developed non-U.S. at -15%, and emerging markets "only" down -11%.

The U.S. Federal Reserve increased rates twice during the quarter, including the largest single increase (75 basis points) since 1994. The subsequent statement indicated that the current range of 1.50% to 1.75% may be double that by the year's end. While many other developed markets central banks also followed suit, Japan was the lone holdout among the developed countries to maintain its accommodative monetary policies though markets punished that stance with a sharp depreciation in the yen which broke 20-year lows.

While commodity and energy prices eased late in the quarter, they remained at elevated levels compared with earlier in the year. Global supply chains remained stretched, demand was subdued, and business optimism waned. COVID lockdowns in China led to a significant slowdown in growth and put pressure on the already stressed global supply chain. Later in the quarter, as situation improved, COVID restrictions were eased. To boost economy, Chinese government announced new stimulus measures.

Within the emerging markets universe, smaller companies underperformed their larger cap peers, while Value once again outpaced Growth. Among emerging markets small cap stocks, Energy significantly outperformed, while Communication Services and Information Technology continued to lag.

Amidst this environment, the portfolio outperformed the MSCI Emerging Markets Small Cap Index for the quarter. Relative strength in Asia and Frontier markets offset relative weakness in the Americas and EMEA.

Regional Performance: Asia

Asia was our largest regional contributor, with strong performance from holdings in the greater China region. Meanwhile, mixed performance was seen in Southeast Asia and India.

Chinese equities rebounded during this quarter as the easing of COVID lockdowns lifted sentiment. Our decision to opportunistically add to our positions on price weakness in the first quarter was rewarded. Case in point was one of the largest information technology services providers in China, **Chinasoft International** and its 24% gain. Recent partnership agreements with several local governments and BYD indicated a solid business development trend. A recovering macro environment should further bolster its prospects. Finally, the Chairman and CEO acquired of 20 million shares in June, which we see as incrementally positive. Similar was **Shanghai Kindly Medical Instruments** and its 41% surge. The company engages in the research, development, and selling of cardiovascular interventional devices throughout China and international markets. 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. We trimmed both positions on their respective price strengths.

Hong Kong noodle restaurant chain **Tam Jai international** remained resilient amid challenging times. Despite negative impacts from the latest COVID wave in Hong Kong, the company reported solid results and improving operating profit margins. The group's restaurant expansion also remains on track. Shares of Tam Jai moved up 6% during the quarter.

Across the strait, Taiwan housed some of the portfolio's largest detractors and contributors. Down -42% was **Green World Fintech Service**, the island's largest third-party payment operator, providing online payment processing services. The company enjoyed an online retail boom driven by the pandemic, but as the pandemic alleviates, lingering concerns over slower online sales weighed on share price. **Alchip** manufactures application specific IC (ASIC) as well as system on a chip (SoC) for complex, high-growth applications such as artificial intelligence and higher performance computing. Shares have been weakened by concerns around the slowing global semis cycle and concerns that Chinese customers were being sanctioned. That said, order visibility has extended as U.S. hyperscale clients are expected to make significant sales contributions in 2022, while Chinese clients will also start to contribute to sales by 2023. With its shares trading down -40%, we added to our position on price weakness. On the positive side was contract develop manufacturing organization (CDMO), **Bora Pharmaceuticals**. During the quarter, the company announced a number of acquisitions and maintains a robust and growing pipeline. We exited the position on valuation after Bora posted a 34% gain.

South Korea's **K Car** is a platform service for used cars. A key part of K Car's business operation is its K Car Data Driven Management System, which allows K Car management to make better purchasing, pricing, and market decisions. Declining -42%, K Car's share price seemed to have been pressured by the slide in Carvana, especially over concerns of lower profitability and potential entrance of auto OEMs such as Hyundai. However, this short-term move seems to have been contained as K Car reported an inline first quarter results with strong growth and solid market share gains. **Koh Young Technology** is a world leader in 3D measurement and inspection technology. The company reported solid first quarter results supported by strong sales growth backed by automotive and industrial clients. However, its share price declined -31%, despite good results, as markets have been concerned about the health of semiconductor and automotive end markets. On the positive side was **Dongsung Finetec**, thermal insulation company that offers solutions for Liquid Natural Gas (LNG) pipes. As the global demand for LNG grows, so does the demand for Dongsung's products. Its shares only lost -1% for the quarter buoyed by continuing strength in the energy sector and significantly outperformed the benchmark's regional performance of -16%.

Moving to India, one of the largest retail and institutional equities brokerage firms in the country, **ICICI Securities** fell -34%. The company delivered an inline quarter, but lingering concerns over lower retail equity volumes and lower investment banking revenue due to weakness in Indian equity markets drove its share price lower. We added to our position on price weakness. Delivering better news was **Aegis Logistics**, a supply chain management company for oil, gas, and chemical industries. The company reported inline quarterly results. The completion of its new Kandla LPG (liquefied petroleum gas) terminal cleared the path for its joint venture deal with Vopak and adds clarity of future growth opportunities. Shares of Aegis only lost -1% for the quarter.

PT Sarana Menara Nusantra is a leading Indonesian wireless tower company. Shares of Serana sharply rebounded from previous lows and edged out a 1% gain during the quarter. The company reported a significant increase in tower units, making Sarana the greatest independent telecom tower company in Indonesia. Its tower fiber service also recorded an upsurge from a year ago, driven by an uptrend in data demand in Indonesia.

Regional Performance: The Americas

Within the region, Brazil detracted from performance while holdings in Mexico contributed.

One of the largest contributors from the first quarter but tumbling -42% this quarter was Brazil's largest SaaS provider **TOTVS**. While the company posted strong first quarter results for its core business, the results for its smaller divisions and new growth engines disappointed though they are expected to improve. In addition, its recently announced a joint venture with Itaú, the largest private bank in Brazil, will likely enhance business opportunities for its Techfin division. **Locaweb Servicos de Internet** is one of Brazil's leading web hosting platforms with a growing e-commerce and software-as-a-service platform. The stock sold off by -50% after Locaweb reported mixed results as acquisitions continued to weigh on its margins.

Mexico was a bright spot within the region. Outperforming the benchmark was real estate property developer **Corporacion Inmobiliaria Vesta** and its -2% return relative to -26%. Vesta had a positive investor day and confirmed its 2024 guideline. Management sees increasing demand for manufacturing and logistics warehouses driven by near-shoring and eCommerce.

Regional Performance: EMEA
Our underweight in this region detracted from performance while stock selection in Egypt and Greece helped.

One of the portfolio's largest contributors last quarter, South Africa-based **Transaction Capital** traded down -34% this quarter. The company operates through three major segments: SA Taxi, Transaction Capital Risk Services (TCRS), and WeBuyCars (WBC). SA Taxi specializes in financial vehicles in the minibus taxi industry, TCRS provides debt collection services, and WBC is a platform for buying or selling used vehicles. SA Taxi was impacted by Toyota supply constraints as well as flooding in one of the regions, though the weakness was offset by the company's leading used car business and debt collections. As supply chain constraints continue to ease, we believe the taxi issue is temporary and started adding back to our position opportunistically. Performing better with a -1% decline was **Egypt Kuwait Holding**, an investment company with exposure to fertilizers, petrochemicals, energy, and infrastructure sectors. EK Holding reported an impressive quarter, with robust growth across all segments.

Conclusion
Looking into the summer and beyond, it remains to be seen if policy makers can engineer the proverbial "soft landing" that combats the global inflationary environment without triggering a recession. That may be possible, though its runway has been narrowing. Companies have been very tempered with their projections, though there have been few corresponding reductions to their consensus earnings estimates. So, while we see pockets of opportunities with lower prices, we recognize that further dips are possible. These concerns form some of the backdrop for our discussions with company management teams. That factors into our bottom-up evaluations as we seek a balance of positions that can weather oncoming waves along with those poised to gain when the winds change. 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.