TimesSquare Capital Management, LLC

U.S. FOCUS Growth Strategy

Representative Commentary — 2Q22

Performance						
			Annualized			
	2Q22	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
FOCUS Growth Equity Composite (Gross)	-15.46%	-13.28%	11.55%	13.80%	11.08%	13.58%
FOCUS Growth Equity Composite (Net)	-15.68%	-14.15%	10.45%	12.68%	9.98%	12.46%
Russell Midcap® Growth Index	-21.07%	-29.57%	4.25%	8.88%	8.34%	11.50%

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. 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 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 so that were it not for a rebound in China after recent COVID lockdowns were eased, growth in global business activities would have slowed for a third straight month.

Specific to the U.S., the mixture of high inflation, rising interest rates, and a tight labor market fueled concerns for a coming recession. In addition to weighing on business optimism, that combination—though especially inflation—pushed consumer sentiment down to its lowest level since the measure began in 1952. One result was the continued relative outperformance of value stocks over growth and relatively better returns when moving up the size continuum from microcaps to megacaps. Within U.S. small and mid cap growth stocks, the safer havens were in the Consumer Staples, Utilities, Energy, and Materials sectors whereas the Information Technology, Communication Services, and Consumer Discretionary areas were shunned. Stocks with higher quality and lower risk were favored, while those with high valuations or lacking earnings were especially punished.

Amidst this environment, the portfolio outperformed the Russell Midcap® Growth Index in the second quarter. There was relative weakness from Marvell Technology, Signature Bank, and CrowdStrike. That was more than offset by relative strength from our positions in AmerisourceBergen, O'Reilly Automotive, Waste Connections, SBA Communications, and RenaissanceRe.

Several of our Information Technology holdings faced challenges this quarter. That included the -39% decline from **Marvell Technology,** a leading provider of high-speed communications semiconductors for data storage, networking, and connectivity. At the start of the quarter, Marvell's shares seemed to retreat with the rest of the semiconductor industry on fears of cyclical weakness. Shares recovered somewhat when Marvell reported revenues and earnings that edged ahead of expectations when many investors feared the disruptions from China's lockdowns might have done greater damage. However, market concerns regarding supply constraints and semiconductor cyclicality arose again later in the quarter. We believe that Marvell should benefit from its secular growth opportunities, such as cloud-based data centers and 5G base stations, so we regularly added to our position during the quarter despite it being the strategy's greatest

detractor. Not only was this sector especially weak relative to others this quarter, but the Software industry saw a significant pullback during the market rotation. Several holdings that previously contributed to relative performance year to date saw their prices retrench without regard to their underlying fundamentals. One example was **CrowdStrike Holdings**, a cloud-based network security service that supports a range of devices and endpoints. Even though CrowdStrike's revenues and earnings bested expectations and its guidance was raised for the balance of the fiscal year, the market assigned it a -26% return. We took comfort that CrowdStrike noted its annualized recurring revenue growth was driven by strong demand from existing customers as well as new ones.

Results were mixed among our holdings in the Financials sector. On the negative side was the -39% return from **Signature Bank,** a commercial bank serving businesses and private clients, predominantly in the New York metropolitan area. A small part of Signature's operations relates to cryptocurrencies, though the bank has no direct exposure. Some of its U.S. dollar deposits are for institutional investors trading crypto and it made one small loan—less than 0.1% of its total credit portfolio—as a test case with the borrower using crypto as collateral. However, as investors soured on cryptocurrencies this quarter, that affected market sentiment on any company tangential to that, such as Signature. We thought that was unwarranted and added to our position on its weakness. Posting a -1% return (compared with the benchmark return of -21%) was the reinsurance provider **RenaissanceRe Holdings.** RenRe's earnings were lower than anticipated, caused by higher losses tied to the Ukraine war and storm claims from Europe and Australia. However, the market credited RenRe with its progressively better investment income in the current rising interest rate environment. That made RenRe this quarter's greatest contributor, and we trimmed our position on its relative strength.

Also holding up better was the -7% return from **SBA Communications**. A wireless tower operator REIT, SBA reported revenues and funds from operations that were higher than anticipated. Site development and leasing each benefited from the continued 5G expansion from the major wireless networks.

Slipping only by -11% was **Waste Connections**, which collects, transfers, recycles, and disposes of waste for municipalities and businesses in the U.S. and Canada. While revenues exceeded expectations, earnings fell shy with margins that were pressured by higher diesel fuel prices. Though the company does have fuel surcharges, that has a lagging effect on margins and there was a significant spike in prices at the end of the fiscal quarter. That led to mid-quarter price weakness for Waste Connections, though we expect that imbalance will be corrected in the coming months. Its shares had a relative recovery later in the quarter when it appeared that Waste Connections was receiving notable price increases on renewals. It seemed that many of the industry's smaller companies dropped out of municipal bidding because they lacked the necessary vehicles or staff, which also may open opportunities for Waste Connections to acquire more scale.

After weakness at the start of the quarter, when a slowdown in do-it-yourself activities led to results that were shy of expectations, **O'Reilly Automotive's** shares rebounded. Other auto parts retailers and related companies noted mid-quarter that demand remained strong, especially from the professional segment. The result was a -7% return. We trimmed our position late in the quarter because while O'Reilly may be more recession resistant than others, it is not completely immune.

Posting a -8% return was **AmerisourceBergen Corporation**, which distributes pharmaceutical and medical products to pharmacies, hospitals, and other health care providers. AmerisourceBergen's revenues and earnings surpassed expectations. The company also raised its guidance following improved operating income levels, and resumed its share repurchase program. Later, at its investor day, AmerisourceBergen's board authorized a new program to repurchase an additional $1 billion of its shares in the future.

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 Russell Midcap® Growth – a market capitalization-weighted index that measures the performance of those Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell Midcap® Growth Index, are based on gross-of-fee returns. Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto.

This composite invests in stocks with market capitalizations generally between $1.5 and $30.0 billion at time of purchase. The process is fundamental research driven. The investment style is growth. Portfolios will hold approximately 15 stocks. Historical turnover has averaged 38% per year. Composite inclusion threshold $500,000. From January 1, 2007 to April 30, 2010 the applied standard fee was 150 basis points. From May 1, 2010 through present the applied standard fee is 100 basis points. The composite creation date is September 1, 2005.

Effective 04/01/2015, TimesSquare removes accounts from this composite when significant cash flows occur. 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. The applied standard fee [basis] was 100 basis points from inception to December 31, 2006. From January 1, 2007 to April 30, 2010 the applied standard fee was 150 basis points. From May 1, 2010 through present the applied standard fee is 100 basis points. 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. TimesSquare's fee schedule is available upon request and may also be found in Part 2A of our Form ADV.