TimesSquare Capital Management, LLC

U.S. Concentrated Growth Strategy

Representative Commentary — 2Q22

Performance

			Annualized			
	2Q22	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
U.S. Concentrated Growth Composite (Gross)	-18.34%	-14.20%	12.33%	15.51%	13.66%	15.37%
U.S. Concentrated Growth Composite (Net)	-18.50%	-14.85%	11.50%	14.66%	12.82%	14.52%
Russell 3000® Growth Index	-20.83%	-19.78%	11.83%	13.63%	12.84%	14.41%

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. growth stocks, the safer havens were in the Consumer Staples, Utilities, Energy, and Real Estate 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 slightly outperformed the Russell 3000® Growth Index for the second quarter. There was relative weakness from Apple, NVDIA, and Marvell Technology. That was offset by strength from our positions in SBA Communications, Humana, Palo Alto, and SailPoint.

There were mixed results within the Information Technology sector this quarter, home to the portfolio's largest contributors as well as its largest detractors. Case in point was mobile and personal computer manufacturer, **Apple Inc.**, whose shares receded by -22%. While the company had previously been able to source necessary components, this quarter the supply constraints—especially the lockdown in China—caught up with Apple and caused lower iPhone sales. However, Apple indicated that demand remains strong, views its chip shortage as transient, and announced an incremental increase to its share repurchase program. We did not have the same confidence with **NVIDIA Corporation**, a designer of graphics processing units (GPU) used for computing-intensive applications such as gaming, professional design, autonomous vehicles, and large-scale data analysis. Although its recent revenues and earnings bested expectations, NVIDIA's forward guidance was less than anticipated. Management noted its

outlook was affected by lower sales to Russia and supply issues from China. However, many of its competitors seemed to navigate these difficulties better. That created concerns for us regarding whether NVIDIA deserved a premium valuation and if additional reductions might be in the store for the future. Thus, we exited our position, which was down -39% while we held it during the quarter. We had a better outlook for **Marvell Technology**, despite its -39% showing this quarter. A leading provider of high-speed communications semiconductors for data storage, networking, and connectivity, 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 added to our position. On a positive note, shares were up 23% for **SailPoint Technologies**, a supplier of enterprise identity governance solutions. In April, private equity group Thoma Bravo announced they were buying SailPoint in an all-cash deal. The transaction is expected to close in the second half of the year, so we sold our shares. New to the portfolio—and posting a 1% gain since being added during its lows in May—was **Palo Alto Networks.** A global provider of network and cloud-based cybersecurity systems, Palo Alto's shares traded down earlier in the quarter leading up to its earnings report on general concerns of a slowdown across the Software industry. Palo Alto's results dispelled those concerns not only with better-than-expected recent revenues and earnings, but also higher projections for the balance of its fiscal year with increased levels of billings growth.

Another recent addition that benefited the strategy was the managed care provider, **Humana, Inc**. The company subsequently reported earnings that exceeded expectations with favorable volumes from commercial and Medicare Advantage segments. That gave its shares a lift of 1% since we initiated the position this quarter.

In other trading, early in the quarter we exited our position in **Amazon, Inc**., the online retailer and provider of cloud-based services. We foresaw several headwinds facing its share price, such as difficult comparisons to past sales levels during the pandemic, much higher capital spending, and inflation from both wages and transportation. That proved prescient because although its shares were down -7% by the time of our final sale, they fell -35% for the full quarter.

Lastly, the -7% return from **SBA Communications** stood higher than the -21% benchmark return. 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.

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. Through our bottom-up approach, 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 3000® Growth – a market capitalization-weighted index that measures the performance of those Russell 3000® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell 3000® 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 above $2.0 billion at time of purchase. Portfolios will hold approximately 35 securities. The process is fundamental research driven. The investment style is growth. Historical turnover has averaged 99% per year. Composite inclusion threshold $200,000. Fee basis is 75 basis points. Composite creation date is January 2, 2008.

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 highest management fee of 0.75% charged by TimesSquare to separately managed institutional accounts in this composite. 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 and sustains 10% annual gross return for each year during this period. If an advisory fee of 0.75% of average assets under management is charged per year, for each year of the ten-year period, the resulting annual net return would be 9.25%. The ending dollar value of the account would be $48,444,497, as compared to $51,874,849 if the advisory fees had not been deducted.

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